

PRIVATE PLACEMENT MEMORANDUM

NEW ISSUE
Book-Entry Only

INTEREST ON THE BONDS SHOULD BE TREATED AS INCLUDABLE IN THE GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Bond Counsel under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from income taxation in the State of Mississippi. See "TAX MATTERS" herein and "APPENDIX D - FORM OF BOND COUNSEL OPINION" attached hereto.

\$5,195,000

MISSISSIPPI BUSINESS FINANCE CORPORATION

**Taxable Revenue Bonds, Series 2011
(Retro Metro, LLC Project)**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover page

The Series 2011 Bonds referenced above (the "Bonds") will be limited obligations of the Mississippi Business Finance Corporation (the "Issuer") payable (except to the extent payable from certain Bond proceeds and other moneys pledged therefor) from, and are secured by, a pledge of payments to be made to the Issuer under a Loan Agreement, dated as of April 1, 2011 (the "Loan Agreement"), by and between the Issuer and Retro Metro, LLC, a Mississippi limited liability company (the "Company").

The Bonds may be sold or resold only to "Accredited Investors" as defined in Rule 501(a) under the Securities Act of 1933, as amended, or "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act of 1933, as amended.

The Bonds will be subject to redemption prior to maturity as more fully described herein. The Bonds are subject to investment risks, including loss of principal amount invested. Interest on the Bonds is payable on April 1 and October 1 of each year commencing October 1, 2011.

The Bonds are issuable as fully registered bonds without coupons and shall be issued in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The principal of and redemption premium, if any, on the Bonds will be payable at the principal corporate trust office of the Trustee. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (the "Securities Depository"). The Securities Depository will act as securities depository for the Bonds. Purchases will be made only in book entry form through the Participants (as herein defined) in the Securities Depository, and no physical delivery of the Bonds will be made to Beneficial Owners (as herein defined). Payment of principal of and premium, if any, on the Bonds will be made to Beneficial Owners by the Securities Depository through its Participants. As long as Cede & Co. is the registered owner of the Bonds, as nominee of the Securities Depository, references herein to the holders of the Bonds or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS Book Entry System" herein.

THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL AND PREMIUM, IF ANY, ON THE BONDS OR THE INTEREST THEREON EXCEPT FROM THE REVENUES AND THE PROCEEDS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT OF THE ISSUER NOR THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF MISSISSIPPI OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MISSISSIPPI BUSINESS FINANCE CORPORATION, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

The Bonds are offered when, as and if issued, subject to the approval of legality by Watkins Ludlam Winter & Stennis, P.A., Jackson, Mississippi, Bond Counsel and Counsel to the Underwriter. Certain legal matters will be passed upon for the Issuer by its counsel, Balch & Bingham, LLP, Jackson, Mississippi; and for the Company by its counsel, Begley Law Firm, PLLC, Jackson, Mississippi. Delivery of the Bonds is expected to be made on or about April 12, 2011 in New York, New York.

DUNCAN WILLIAMS, INC.

This Private Placement Memorandum is dated April 5, 2011.

MATURITY SCHEDULE

\$1,775,000 6.000% Term Bonds due October 1, 2021

\$3,420,000 7.250% Term Bonds due October 1, 2031

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS PRIVATE PLACEMENT MEMORANDUM

Certain statements included or incorporated by reference in this Private Placement Memorandum constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENT DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENT EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NONE OF THE ISSUER, THE COMPANY OR PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

No dealer, broker, salesman or other person has been authorized by the Mississippi Business Finance Corporation (the "Issuer"), Retro Metro, LLC (the "Company"), or the Underwriter to give any information or to make any representations, other than those contained in this Private Placement Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Private Placement Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Company, DTC and from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter, or the Issuer. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale of the Bonds made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, DTC, or the Company since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Private Placement Memorandum: The Underwriter has reviewed the information in this Private Placement Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. This Private Placement Memorandum is not an offer to sell or a solicitation of an offer to buy the Bonds in any circumstances or in any jurisdiction in which the offer or solicitation is unlawful.

Except for information concerning the Issuer in the sections of this Private Placement Memorandum captioned "THE ISSUER," none of the information in this Private Placement Memorandum has been supplied or verified by the Issuer and the Issuer makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE BONDS.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 AND THE INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN THOSE ACTS. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES IN

ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER JURISDICTIONS SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE MERITS OF THESE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
DEFINITIONS.....	2
THE ISSUER.....	8
THE COMPANY	9
PROPOSED SOURCES AND USES OF FUNDS	10
Sources of Funds.....	10
Uses of Funds.....	10
THE BONDS	10
General Description of Bonds.....	10
Special/Limited Obligations	10
Redemption of the Bonds.....	10
Trustee.....	12
Book-Entry Only System.....	13
The Indenture	15
The Loan Agreement	20
The City of Jackson Lease	23
Other Leases.....	23
TAX MATTERS.....	23
FINANCIAL ADVISOR	24
UNDERWRITING	24
LEGAL MATTERS.....	24
VALIDATION.....	25
MISCELLANEOUS	25
APPENDIX A – INFORMATION CONCERNING THE CITY OF JACKSON, MISSISSIPPI	26
APPENDIX B – CITY OF JACKSON, MISSISSIPPI FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009	37
APPENDIX C – CITY OF JACKSON LEASE	38
APPENDIX D – FORM OF OPINION OF BOND COUNSEL	39

PRIVATE PLACEMENT MEMORANDUM

\$5,195,000

**Mississippi Business Finance Corporation
Taxable Revenue Bonds, Series 2011
(Retro Metro, LLC Project)**

INTRODUCTION

This Private Placement Memorandum is being provided to furnish certain information in connection with the original issuance and sale by Mississippi Business Finance Corporation (the "Issuer") of \$5,195,000 in aggregate principal amount of its Taxable Revenue Bonds, Series 2011 (Retro Metro, LLC Project) (the "Bonds").

The Bonds will be issued under and pursuant to a Trust Indenture, dated as of April 1, 2011 (the "Indenture"), by and between the Issuer and BankPlus, a Mississippi state bank with a corporate trust office in Ridgeland, Mississippi, as trustee (the "Trustee"). The Bonds will be limited obligations of the Issuer, payable only from specified sources as more fully described herein. The proceeds of the Bonds are being loaned by the Issuer to Retro Metro, LLC, a Mississippi limited liability company (the "Company"), pursuant to a Loan Agreement dated as of April 1, 2011 (the "Loan Agreement"), by and between the Issuer and the Company, to improve the approximately 120,000 square foot first floor of an existing building commonly known as the "Belk Building" in the Metrocenter shopping center located in the City of Jackson, Hinds County, Mississippi (the "Facility"), as described herein under "THE PROJECT." All of the Issuer's rights under the Loan Agreement will be assigned to the Trustee as security for the payment of the principal of, premium, if any, and interest on the Bonds, except for certain rights to fees and indemnification payments.

The Company will lease approximately half of the Facility to the City of Jackson, Mississippi for use as office space for a twenty year term, subject to annual appropriation (the "City of Jackson Lease"). The Company's obligations under the Loan Agreement also will be secured by a pledge and collateral assignment of the Company's rights under the City of Jackson Lease. The Company intends to enter into lease agreement(s) pursuant to which it will lease the remaining portion of the Facility that is not being leased to the City of Jackson.

NOTHING IN THE CITY OF JACKSON LEASE CREATES A MONETARY OBLIGATION ON THE PART OF THE CITY BEYOND THE SPECIFIC ANNUAL APPROPRIATION MADE BY THE CITY TO FUND PAYMENTS UNDER THE CITY OF JACKSON LEASE.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS BY THE COMPANY PURSUANT TO THE LOAN AGREEMENT. NEITHER THE FAITH AND CREDIT OF THE ISSUER NOR THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF MISSISSIPPI OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE MISSISSIPPI BUSINESS FINANCE CORPORATION AND THE CITY OF JACKSON, MISSISSIPPI, IS PLEDGED TO THE PAYMENT OF THE BONDS. THE ISSUER HAS NO TAXING POWER. POTENTIAL INVESTORS SHOULD MAKE THEIR DECISION TO INVEST IN THE BONDS SOLELY UPON THEIR ASSESSMENT OF THE CREDITWORTHINESS OF THE COMPANY AND SHOULD NOT RELY UPON THE ABILITY OF THE ISSUER TO MAKE THE REQUIRED DEBT SERVICE PAYMENTS ON THE BONDS.

THE BONDS MAY BE SOLD OR RESOLD ONLY TO "ACCREDITED INVESTORS" AS DEFINED IN RULE 501(A) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A OF THE SECURITIES ACT OF 1933, AS AMENDED.

DEFINITIONS

Certain capitalized terms used frequently in this Private Placement Memorandum are defined in this section of the Private Placement Memorandum.

Accredited Investor:

"Accredited Investor" means an "accredited investor" within the meaning of Rule 501(a) promulgated under the Securities Act of 1933, as amended.

Act:

"Act" shall mean Section 57-10-201, et seq., Mississippi Code of 1972, as amended and supplemented.

Administration Expenses:

"Administration Expenses" shall mean the reasonable and necessary fees, costs or expenses incurred or payable by the Company to the Issuer pursuant to the Loan Agreement or the Indenture, including, but not limited to, the initial fee of the Issuer equal to \$15,000, and the compensation and expenses paid to or incurred by the Trustee or any Paying Agent under the Loan Agreement or the Indenture. The Administration Expenses of the Issuer and the Trustee incurred and/or accrued on or prior to the Closing Date shall be paid directly to the Issuer and the Trustee, respectively, on or prior to the Closing Date.

Authorized Company Representative:

"Authorized Company Representative" shall mean any person or persons at the time designated to act on behalf of the Company by a written certificate, signed on behalf of the Company by one of its managers, members, officers or other duly authorized Person and furnished to the Issuer and the Trustee, containing the specimen signature of each such person.

Bond Counsel:

"Bond Counsel" shall mean an attorney-at-law or a firm of attorneys, designated by the Issuer, of nationally recognized standing in matters pertaining to the issuance of bonds by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

Bond Counsel's Opinion:

"Bond Counsel's Opinion" shall mean an opinion signed by Bond Counsel and satisfactory to the Issuer and the Trustee.

Bond Fund:

"Bond Fund" shall mean the fund created under the Indenture and held by the Trustee.

Bond Register and Bond Registrar:

"Bond Register" and "Bond Registrar" shall have the respective meanings specified in the Indenture.

Bonds:

"Bond" or "Bonds" shall mean any Bond or all of the Bonds, as the case may be, of the Issuer authorized and issued by the Issuer, authenticated by the Trustee and delivered under the Indenture.

The term "outstanding under the Indenture" or "outstanding hereunder" or "outstanding", when used with reference to Bonds, shall mean, at any date as of which the amount of outstanding Bonds is to be determined, the aggregate of all Bonds authorized, issued, authenticated and delivered under the Indenture, except:

- (a) Bonds canceled or surrendered to the Trustee for cancellation pursuant to the Indenture prior to such date;
- (b) Bonds deemed to have been paid as provided in the Indenture; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture unless proof satisfactory to the Trustee and the Company is presented that any such Bond is held by a bona fide Registered Owner in due course.

Business Day:

"Business Day" shall mean any day except a Saturday, Sunday, or legal holiday observed by the Trustee.

City:

"City" means the City of Jackson, Mississippi.

City of Jackson Lease:

"City of Jackson Lease" means the lease of approximately half of the Facility by the City of Jackson, Mississippi from the Company.

Closing Date:

"Closing Date" shall mean the date on which the Series 2011 Bonds are delivered to the Purchaser in exchange for the sale price thereof.

Code:

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

Collateral Assignment of Lease and Rents:

"Collateral Assignment of Lease and Rents" shall mean that certain Collateral Assignment of Lease and Rents executed by the Company pledging its rights under the City of Jackson Lease to secure the payments under the Series 2011 Note in favor of the Issuer which is assigned by the Issuer to the Trustee.

Company:

"Company" shall mean Retro Metro, LLC, a Mississippi limited liability company or any corporation, entity, partnership or sole proprietorship which is the surviving, resulting or transferee person in any merger, consolidation or transfer of assets permitted under the Loan Agreement and shall also mean, unless the context otherwise requires, an assignee of the Company as permitted by the Loan Agreement.

Construction Fund:

"Construction Fund" shall mean the fund created under the Indenture and held by the Trustee.

Corporate Trust Office:

"Corporate Trust Office" shall mean the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 1068 Highland Colony Parkway, 400 Concourse Ste 100, Ridgeland, MS 39157 Attention: Corporate Trust Department.

Cost:

"Cost" or "Cost of the Project" shall mean and be deemed to include the definition of the term "Cost" as that term is defined in the Act, including, but not limited to the following to the extent such are incurred after the sixtieth (60th) day preceding January 12, 2011: (a) obligations of the Issuer or of the Company incurred for labor, materials, machinery, equipment and other expenses and to architects, contractors, builders and materialmen in connection with the construction, installation and equipping of the Project including, but not limited to, the cost of improvement of the Project Site; (b) the cost of contract or performance bonds or of other bonds and of insurance of all kinds that may be required or necessary prior to or during the course of construction, installation and equipping of the Project; (c) all costs of architectural and engineering services, including the expenses of the Issuer and the Company for test borings, surveys, test and pilot operations, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or as a result of the proper construction, installation and equipping of the Project; (d) compensation and expenses of the Issuer and the Trustee; legal, accounting, financial and printing expenses, fees and all other expenses incurred in connection with the issuance of the Bonds; (e) all other costs which the Issuer or the Company shall be required to pay under the terms of any contract or contracts for the construction, installation and equipping of the Project; (f) any sums required to reimburse the Issuer or the Company for advances made by either of them for any of the above items, or for any other costs incurred and for work done by either of them, which are properly chargeable to the Project being acquired, constructed, installed and equipped; (g) Administration Expenses of the Issuer and the Trustee which are payable as of the Closing Date; (h) interest on the Series 2011 Bonds through the Completion Date; and (i) any other expenses or fees of the Issuer, the Purchaser or the Trustee, which in the opinion of the Issuer or the Trustee are related to the Project or the Bonds.

Deed of Trust:

"Deed of Trust" means that certain Deed of Trust, Security Agreement and Assignment of Rents executed by the Company to secure the payments under the Series 2011 Note in favor of the Issuer which is assigned by the Issuer to the Trustee.

Event of Default:

"Event of Default", "event of default", "Default" or "default" shall mean any Event of Default specified in the Indenture.

Executive Director:

"Executive Director" shall mean the Executive Director of the Mississippi Business Finance Corporation.

Facility:

"Facility" means the approximately 120,000 square foot first floor of an existing building commonly known as the "Belk Building" in the Metrocenter shopping center located in the City of Jackson, Hinds County, Mississippi.

Government Obligations:

"Government Obligations" shall mean any of the following which are noncallable by the issuer thereof and which at the time of investment are legal investments under the Act for the moneys proposed to be invested therein:

(a) direct general obligations of the United States of America, or obligations the prompt payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures or notes issued by any of the following federal agencies: Federal Farm Credit Banks, Federal Financing Bank or Federal National Mortgage Association (including participation certificates);

(c) public housing bonds, temporary notes or preliminary loan notes, fully secured by contracts with the United States of America;

(d) bonds, debentures or notes issued by any federal agency created by act of Congress of the United States of America, the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(e) direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the State; and

(f) Money market funds or accounts customarily utilized by the corporate trust department of the Trustee in the ordinary course of its corporate trust business and in the usual performance of its fiduciary duties, more specifically, money market mutual funds backed by US Treasury Obligations rated AAA by Moody's and Standard & Poors.

Indenture:

"Indenture" shall mean the Trust Indenture dated as of April 1, 2011 between the Issuer and the Trustee, as amended or supplemented from time to time in accordance with the provisions hereof.

Investment Securities:

"Investment Securities" shall mean any one of the following, if and to the extent the same are at the time legal for the investment of the Issuer's funds:

(a) Government Obligations, all of which must mature within twelve (12) months from the time of acquisition thereof;

(b) certificates of deposit, time deposits or other banking arrangements, whether negotiable or non-negotiable, issued by any bank or national banking association approved by Trustee, all of which Investments must mature within twelve (12) months from the time of acquisition thereof;

(c) commercial paper that is rated A-1 or A-2 by Standard & Poor's Corporation or P-1 or P-2 by Moody's Investors Service, Inc., all of which Investments must mature within twelve (12) months from the time of acquisition thereof;

(d) repurchase agreements with banks including the Trustee which shall be authorized to engage in the banking business and are a member of the Federal Reserve System, with respect to Government Obligations, which repurchase agreements shall be collateralized by Government Obligations;

(e) investments in a money market fund as authorized by Section 91-13-8, Mississippi Code of 1972, as amended;

(f) any other form of investment approved in writing by the Registered Owners; and

(g) Money market funds or accounts customarily utilized by the corporate trust department of the Trustee in the ordinary course of its corporate trust business and in the usual performance of its fiduciary duties, more specifically, money market mutual funds backed by Government Obligations rated AAA by Moody's and Standard & Poors.

Issuer:

"Issuer" shall mean the Mississippi Business Finance Corporation, constituting a public corporation of the State, its successors and assigns, and any public corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

Loan Agreement:

"Loan Agreement" shall mean the Loan Agreement dated as of April 1, 2011 between the Issuer and the Company and any and all modifications, alterations, amendments and supplements thereto made in accordance with the provisions thereof and the Indenture.

Loan Documents:

"Loan Documents" shall mean the Loan Agreement, the Notes, the Collateral Assignment of Lease and Rents, the Deed of Trust and any and all other documents evidencing or securing any of the obligations of the Company under the Loan Agreement or any of the Notes, as such documents may be amended, modified, renewed or extended from time to time.

Notes:

"Notes" shall mean the promissory notes of the Company, including the Series 2011 Note, issued pursuant to the Loan Agreement, as the same may be amended or supplemented.

Opinion of Counsel:

"Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, reasonably satisfactory to the Trustee.

Paying Agent:

"Paying Agent" shall mean any paying agent for the Series 2011 Bonds (and may include the Trustee) and its successor or successors appointed pursuant to the provisions of the Indenture.

Payment Date:

"Payment Date" means, as to the Series 2011 Bonds, April 1 and October 1 of each year commencing October 1, 2011, and as to any other Series of Bonds, each date designated as a Payment Date in the applicable Supplemental Indenture. In the event that the first day of the month is not a Business Day, then the Payment Date shall be the following Business Day.

Permitted Encumbrances:

"Permitted Encumbrances" shall have the meaning ascribed thereto in the Loan Agreement.

Person or person:

"Person" or "person" shall mean, as the case may be, any individual, sole proprietorship, corporation, limited liability company, partnership (including, without limitation, general and limited partnerships), joint venture, association, joint stock company, trust, unincorporated organization or government, any agency or political subdivision thereof or public corporation.

President:

"President" shall mean the President of the Mississippi Business Finance Corporation.

Project:

"Project" shall mean the improvements to the first floor of an existing building commonly known as the "Belk Building" in the Metrocenter shopping center located in the City of Jackson, Hinds County, Mississippi.

Project Site:

"Project Site" shall mean the real property described in Exhibit A to the Loan Agreement on which the Project will be situated.

Property:

"Property" shall mean any interest in any kind of asset, whether real, personal or mixed, or tangible or intangible.

Purchaser:

"Purchaser" shall mean Duncan-Williams, Inc., in its capacity as the initial purchaser of the Series 2011 Bonds.

Qualified Institutional Buyer:

"Qualified Institutional Buyer" means a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended.

Record Date:

"Record Date" shall mean with respect to any Series of Bonds, the last Business Day preceding any Payment Date.

Redemption Price:

"Redemption Price" shall mean the redemption price as set forth in the Indenture.

Registered Owner:

"Registered Owner" shall mean the Person or Persons in whose name or names the particular Bond or Bonds shall be registered on the Bond Register. The initial Registered Owner of the Series 2011 Bonds will be the Purchaser.

Revenues:

"Revenues" shall mean all payments, receipts and revenues payable by the Company to the Issuer under the Loan Agreement (except payment of Administration Expenses and indemnification payments pursuant to the Loan Agreement) and any other payments, receipts and revenues derived by the Issuer from the Company under the Loan Agreement or any of the other Loan Documents.

Secretary:

"Secretary" shall mean the Secretary of the Mississippi Business Finance Corporation.

Series or Series of Bonds:

"Series" or "Series of Bonds" shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, pursuant to the provisions of the Indenture, regardless of variations in maturity, interest rate, or other provisions.

Series 2011 Bonds:

"Series 2011 Bonds" shall mean the Mississippi Business Finance Corporation Taxable Revenue Bonds, Series 2011 (Retro Metro, LLC Project), issued under the Indenture.

Series 2011 Note:

"Series 2011 Note" shall mean the Promissory Note of the Company issued by the Company in connection with the issuance and sale of the Series 2011 Bonds.

State:

"State" shall mean the State of Mississippi.

Surplus Bond Proceeds

"Surplus Bond Proceeds" means all moneys in the Construction Fund designated as such to the Trustee in the completion certificate signed by the Borrower substantially in the form attached to the Loan Agreement and any moneys earned thereon remaining after the Trustee's receipt of such certificate.

Supplemental Indenture:

"Supplemental Indenture" or "indenture supplemental hereto" shall mean any indenture supplemental to or amendatory of the Indenture as originally executed which is duly executed and delivered in accordance with the provisions of the Indenture.

Trustee:

"Trustee" shall mean BankPlus (and its corporate successors) and its successor under the Indenture, a Mississippi state bank with its principal corporate trust office located in Ridgeland, Mississippi.

THE ISSUER

The Mississippi Business Finance Corporation, created in 1983, is a public corporation of the State organized and chartered for the purpose of furthering the economic development of the State.

The Issuer is composed of twenty-five (25) members, either elected or serving by virtue of ex officio designation. Appointments are for terms of six years. Ex officio members serve so long as they occupy the position which entitles them to membership. From this membership there is elected a nine-member Board of Directors, including a President and Vice President. The current members of the Board of Directors and the expiration dates of their respective terms as Directors are as follows:

<u>NAME</u>	<u>OCCUPATION</u>	<u>CURRENT TERM</u>
Larry Benefield	Director, Harrison County School District Transportation Department	8/10/10- 6/30/11
Mack Brewer	Retired Finance Manager, McComb, Mississippi	7/01/10- 6/30/11
N.L. Carson	Business Owner, Carthage, Mississippi	7/01/10- 6/30/11
Richard Devoe	CPA and CFP, Oxford, Mississippi	7/01/10- 6/30/11
William L. Freeman, Jr.	Adjunct General, State of Mississippi, Newton, Mississippi	7/01/10- 6/30/11
Gary Harkins	Businessman, Brandon, Mississippi	7/01/10- 6/30/11
Joel Horton	Banker, Vicksburg, Mississippi	7/01/10- 6/30/11
Harold Lewis	Businessman, Philadelphia, Mississippi	7/01/10- 6/30/11
William D. Sones	Bank President & CEO, Brookhaven, Mississippi	7/01/10- 6/30/11

The operations of the Issuer are administered by William T. Barry, Executive Director. Mr. Barry is a 1972 graduate of the University of Mississippi with a degree in Business.

The Act authorizes the Issuer to, among other things, provide financial assistance to “eligible companies” (as defined in the Act) in the State by providing loans and other assistance to such companies, thereby encouraging the investment of private capital in these companies and to finance such assistance by the issuance of revenue bonds. The Bonds are being issued pursuant to resolutions of the Issuer (the “Series 2011 Bond Resolution”) duly adopted pursuant to the authority of the Act and the Constitution and laws of the State.

THE BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER AND ARE NOT AN INDEBTEDNESS OF THE STATE OF MISSISSIPPI OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT OF THE ISSUER NOR THE FAITH AND CREDIT OR THE TAXING POWER OF THE STATE OF MISSISSIPPI OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE BONDS, PREMIUM, IF ANY, OR THE INTEREST THEREON OR OTHER COSTS INCIDENTAL THERETO. THE ISSUER HAS NO TAXING POWER.

EXCEPT FOR INFORMATION CONCERNING THE ISSUER IN THE SECTIONS OF THIS PRIVATE PLACEMENT MEMORANDUM CAPTIONED "THE ISSUER", NONE OF THE INFORMATION IN THIS PRIVATE PLACEMENT MEMORANDUM HAS BEEN SUPPLIED OR VERIFIED BY THE ISSUER AND THE ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE COMPANY

The Company is a Mississippi limited liability company formed on August 13, 2010 by Watkins Development, LLC, for the purpose of revitalizing the Metrocenter Mall in Jackson, Mississippi and the Highway 80 business corridor in West Jackson, including the development of the Project.

THE PROJECT

The proceeds of the sale of the Bonds will be used to finance the acquisition of and improvements to the first floor of an existing building commonly known as the “Belk Building” in the Metrocenter shopping center located in the City of Jackson, Hinds County, Mississippi.

PROPOSED SOURCES AND USES OF FUNDS

The Issuer will receive funds from the sale of the Bonds and such funds will be deposited under the Indenture and applied, together with other funds, as described below:

Sources of Funds

Par Amount of the Bonds	\$5,195,000.00
Original Issue Discount	<u>74,191.35</u>
	<u>\$5,120,808.65</u>

Uses of Funds

Deposit to Construction Fund (including acquisition funds)	\$4,709,006.39
Deposit to Capitalized Interest Fund	166,394.58
Legal, Accounting and Miscellaneous Issuance Expenses ⁽¹⁾	<u>245,407.68</u>
Total Uses of Funds	<u>\$5,120,808.65</u>

¹ Includes underwriter's discount.

THE BONDS

General Description of Bonds

The Bonds will be dated the date of the original issuance thereof, and will mature as set forth on the cover page of this Private Placement Memorandum. The principal, redemption premium, if any, and interest on the Bonds are payable at the places and in the manner specified on the cover page of this Private Placement Memorandum. The Bonds will initially be issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Subject to certain limitations, the Bonds may be transferred or exchanged for other Bonds of Authorized Denominations at the principal corporate trust office of the Trustee without charge other than any tax or other governmental charge.

Special/Limited Obligations

Neither the State nor any political subdivision thereof shall be obligated to pay the principal and premium, if any, on the Bonds or the interest thereon or other costs incident thereto, except that the Issuer shall be obligated to make such payments solely from the revenue or money pledged by the Issuer. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal, premium, if any, or the interest on, the Bonds. No owner of any Bond has the right to compel any exercise of the taxing power of the State or of any political subdivision or instrumentality thereof, including the Issuer, to pay the Bonds, the interest thereon or any other amount due with respect thereto. The Bonds are not general obligations of the Issuer, but are special, limited obligations payable solely from certain amounts payable by the Company under the Loan Agreement and from other moneys pledged therefor under the Indenture. Neither the Issuer, the State nor any political subdivision of the State has any obligation with respect to the Bonds. The Issuer has no taxing power.

Redemption of the Bonds

Optional Redemption. The Series 2011 Bonds are subject to optional redemption prior to their respective maturities on and after April 1, 2014, in accordance with the Indenture and subject to the order of payment as set forth in the Indenture, in whole or in part at the option of the Company, at the Redemption Prices (expressed as a percentage of principal amount of the Series 2011 Bonds to be redeemed) set forth below, plus accrued interest to the date of redemption as follows:

REDEMPTION DATES (Inclusive)

REDEMPTION PRICES

April 1, 2014 through March 31, 2015	102%
April 1, 2015 through March 31, 2016	101
April 1, 2016 and thereafter	100

Mandatory Sinking Fund Redemption. The Series 2011 Bonds maturing on October 1, 2021, are term bonds subject to mandatory sinking fund redemption prior to their scheduled maturity on April 1 and October 1 of the years listed below at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date in accordance with the following schedule:

<u>DATE</u>	<u>PRINCIPAL AMOUNT</u>
4/1/2012	\$60,000.00
10/1/2012	70,000.00
4/1/2013	70,000.00
10/1/2013	75,000.00
4/1/2014	75,000.00
10/1/2014	75,000.00
4/1/2015	80,000.00
10/1/2015	80,000.00
4/1/2016	85,000.00
10/1/2016	85,000.00
4/1/2017	90,000.00
10/1/2017	90,000.00
4/1/2018	95,000.00
10/1/2018	95,000.00
4/1/2019	100,000.00
10/1/2019	105,000.00
4/1/2020	105,000.00
10/1/2020	110,000.00
4/1/2021	115,000.00
10/1/2021 ¹	115,000.00

¹ Final Maturity

The Series 2011 Bonds maturing on October 1, 2031, are term bonds subject to mandatory sinking fund redemption prior to their scheduled maturity on April 1 and October 1 of the years listed below at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date in accordance with the following schedule:

<u>DATE</u>	<u>PRINCIPAL AMOUNT</u>
4/1/2022	\$120,000.00
10/1/2022	125,000.00
4/1/2023	125,000.00
10/1/2023	135,000.00
4/1/2024	135,000.00
10/1/2024	145,000.00

4/1/2025	150,000.00
10/1/2025	150,000.00
4/1/2026	160,000.00
10/1/2026	165,000.00
4/1/2027	170,000.00
10/1/2027	175,000.00
4/1/2028	185,000.00
10/1/2028	190,000.00
4/1/2029	195,000.00
10/1/2029	205,000.00
4/1/2030	210,000.00
10/1/2030	220,000.00
4/1/2031	230,000.00
10/1/2031 ¹	230,000.00

¹ Final Maturity

Mandatory Redemption with Surplus Bond Proceeds. The Series 2011 Bonds shall be called for mandatory redemption with Surplus Bond Proceeds (to the extent there are sufficient Surplus Bond Proceeds to call Series 2011 Bonds in Authorized Denominations) as soon as practicable following the Completion Date.

Partial Redemption of Bonds If less than all of the outstanding Series 2011 Bonds are to be redeemed, they shall be redeemed in the order designated by the Company and by lot if less than all of the maturity is to be redeemed or by such other method acceptable to the Trustee as may be specified in an Opinion of Bond Counsel.

Notice of Redemption. In the case of any redemption, the Trustee shall give notice in its own name or in the name of the Issuer, as provided in the Indenture, that Bonds of a particular Series and maturity date identified by serial and/or CUSIP numbers have been called for redemption and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption (or if all the outstanding Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof at the Corporate Trust Office, at the applicable Redemption Price (specifying such price), that all interest on the Bonds, or portions thereof, so to be redeemed will cease to accrue on and after such date and that the Registered Owners thereof are required to surrender such Bonds on or before the date fixed for redemption.

The Trustee shall provide written notice of redemption to the Registered Owners not less than thirty (30) days prior to the proposed redemption date.

To the extent applicable, such notice may be conditioned upon the deposit of sufficient moneys to effect such redemption at or prior to the date fixed for redemption and if such moneys are not deposited, said Bonds shall continue to be outstanding under the Indenture and not subject to redemption pursuant to said notice.

Trustee

BankPlus, Ridgeland, Mississippi is the Trustee under the Indenture. A successor trustee may be appointed in accordance with the terms of the Indenture. The principal corporate trust office and payment office of the Trustee is 400 Concourse Ste 100, Ridgeland, MS 39157, Attention: Corporate Trust Department.

Book-Entry Only System

The information provided under this caption has been provided by DTC. No representation is made by the Issuer, the Underwriter or the Trustee as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be initially issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by the authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued for the Bonds in the aggregate principal amount of the issue and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MSB Clearing Corporation, and Emerging Markets Clearing Corporation, ("NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transactions. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices are to be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co., (nor any other DTC nominee) will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to DTC or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Issuer or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participates.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates are required to be printed and delivered.

THE ISSUER, THE TRUSTEE, THE COMPANY, AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS; (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS PRIVATE PLACEMENT MEMORANDUM. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE ISSUER, THE TRUSTEE, THE COMPANY, THE NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co. is the registered holder of the Bonds as nominee of DTC, references herein to the Holders, holders, or registered owners of the Bonds mean Cede & Co. and not the Beneficial Owners of the Bonds.

In the event that the Company determine that it is in the best interest of the Company not to continue the Book Entry System of transfer or that the interest of the Beneficial Owners of the Bonds may be adversely affected if the Book Entry System of transfers is continued, then the Issuer shall, upon instruction from the Company, notify the Securities Depository and the Trustee of such determination and the Securities Depository shall immediately notify the Participants of the availability, through the Securities Depository, of physical Bonds. In such event, the Issuer shall execute and the Trustee shall authenticate, register and deliver physical Bonds as requested by the

Securities Depository or any Participant or Beneficial Owner of Bonds in appropriate authorized denominations in exchange for the Bonds registered in the name of Securities Depository Nominee. The Securities Depository may determine to discontinue providing services as such with respect to the Bonds at any time by giving notice to the Issuer and the Trustee and discharging its responsibilities with respect thereto under applicable laws or the Issuer may determine that the Securities Depository is incapable of discharging its duties as such and may so notify the Securities Depository. In either such event, the Issuer shall either (i) engage the services of another Securities Depository or (ii) deliver physical Bonds in the manner described above.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as Securities Depository Nominee, all payments with respect to the principal of, premium, if any, and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to The Depository Trust Company, New York, as provided in the Letter of Representations, dated the Date of Issuance, among the Securities Depository and the Trustee

In connection with any notice or other communication to be provided to the Holders by the Issuer or the Trustee with respect to any consent or other action to be taken by the Holders, the Issuer or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository notice of such record date not less than fifteen (15) days in advance of such record date to the extent possible.

The Indenture

Issuer Assignment of Certain Rights. By the terms of the Indenture, the Issuer will convey, assign and pledge, without recourse, representation or warranty, all of the Issuer's right, title and interest in the Security (as defined below) to the Trustee for the benefit of the Bondholders.

Security. The Bonds and the interest and any premium thereon shall be a limited obligation of the Issuer as provided in the Indenture, and shall be secured by and payable only from the following (collectively referred to as the "Security"):

(i) all loan payments and other revenues and receipts to be derived by the Issuer under the Loan Agreement;

(ii) all right, title and interest of the Issuer in, to and under the Loan Agreement, including but not limited to the Issuer's rights to receive the loan payments and other revenues and receipts payable thereunder, the liens and security interests created thereby, and the Issuer's rights to enforce the Loan Agreement, provided, however, that the Issuer hereby reserves its rights under the Loan Agreement to receive notices, the payment of Administration Expenses and indemnification payments, all as provided in the Loan Agreement;

(iii) all right, title and interest of the Issuer in, to and under the Series 2011 Note, including, without limitation, all payments to be made by the Company pursuant to the Series 2011 Note;

(iv) the proceeds of the Series 2011 Bonds (subject to provisions pertaining to the use thereof set forth in the Indenture and in the Loan Agreement) and all funds and accounts held by the Trustee under the Indenture;

(v) all right, title and interest of the Issuer in, to and under the other Loan Documents;

(vi) any and all property and rights of every kind and nature from time to time hereafter by delivery or by writing of any kind, conveyed, mortgaged, sold, pledged, assigned and transferred, as and for additional security under the Indenture by the Issuer or by any other person, firm or entity in its behalf or with its written consent to the Trustee, and the Trustee is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

(vii) any income received by the Trustee from the investment of the proceeds of the Series 2011 Bonds and other funds held by the Trustee under the Indenture (subject to provisions pertaining to the use thereof set forth in the Indenture and in the Loan Agreement); and

(viii) the proceeds of any of the foregoing.

Bond Fund. The Indenture establishes a Bond Fund, which will be held by the Trustee. The Indenture provides that the Trustee will deposit in the Bond Fund:

- (i) all loan payments specified in the Loan Agreement and all payments made on the Series 2011 Note;
- (ii) any amounts to be deposited in the Bond Fund pursuant to the provisions of a Supplemental Indenture;
- (iii) any Surplus Bond Proceeds;
- (iv) all moneys received to effect any redemption of Bonds pursuant to the Indenture; and
- (v) all other moneys received by the Trustee that are required under or pursuant to any of the provisions of the Loan Agreement, the Series 2011 Note, the Collateral Assignment of Lease and Rents, the City of Jackson Lease, or the Indenture to be paid into the Bond Fund.

The Issuer covenants and agrees that so long as any of the Bonds issued under the Indenture are outstanding, it will deposit or cause to be deposited in the Bond Fund sums, but only from the Revenues or other moneys or securities available therefor, sufficient to meet and pay promptly the principal, premium, if any, and interest on the Bonds as the same become due and payable.

To the extent moneys are available in the Bond Fund, the Trustee shall in the order provided below withdraw from the Bond Fund and apply such moneys on or before each date on which principal, premium, if any, and interest is due for any Series of Bonds, an amount which will be sufficient to pay the principal, premium, if any, and interest on such Series of Bonds which will become due on each such date to the Registered Owners of the Bonds.

The Issuer pursuant to the Indenture authorizes and directs the Trustee, and the Trustee agrees, to withdraw and make available at the principal office of the Paying Agent sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds upon maturity, whether stated or accelerated, or upon mandatory or optional redemption.

Any amounts remaining in the Bond Fund after payment in full of the Bonds and all other amounts required to be paid under the Indenture or the Loan Agreement, shall be paid to the Company upon the expiration or sooner cancellation or termination of the term of the Loan Agreement as provided in the Loan Agreement.

Construction Fund. The Indenture establishes a Construction Fund, which will be held by the Trustee. Funds in the Construction Fund shall be expended and disbursed in accordance with the provisions of the Loan Agreement. The moneys in the Construction Fund, until applied in payment of any item of the Cost of the Project, shall be held in trust by the Trustee and, pending such application, shall be subject to a lien and charge in favor of the Registered Owners of the Bonds and for the further security of such Registered Owners until disbursed as provided in the Indenture.

Investment of Funds. So long as the Bonds are outstanding and there is no default under the Loan Agreement, moneys on deposit to the credit of the Construction Fund or the Bond Fund shall, if requested by the Company in accordance with the Loan Agreement, be invested by the Trustee, to the extent permitted by law, in any Investment Securities. The Trustee shall have no obligation to invest any moneys on deposit pursuant to the Indenture in the absence of the direction of an Authorized Company Representative. Such investments shall have maturity dates, or shall be subject to redemption by the Registered Owner, at the option of the Registered Owner, on or prior to the dates the moneys invested therein will be needed for the purposes of such funds. The Trustee may

make such investments utilizing the services of any qualified, duly licensed securities agent or broker of its choice including the investment or bond department of the Trustee.

The securities purchased with the moneys in each such fund shall be deemed a part of such fund. The interest, including realized interest on securities purchased at a discount, received on all such securities (after deduction for accrued interest, commissions, if any, and premium paid from such fund at time of purchase) shall be deposited by the Trustee in the fund from which such investment was made. The Trustee shall not be liable or responsible for any loss resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized pursuant to the Indenture. If at any time it shall become necessary that some or all of the securities purchased with the moneys in any such fund be redeemed or sold in order to raise moneys necessary to comply with the provisions of the Indenture, the Trustee shall effect such redemption or sale, employing, in the case of a sale, any commercially reasonable method of effecting the same.

Events of Default. Any of the following events will constitute an "Event of Default" under the Indenture:

(1) (a) payment of the principal of, premium, if any, or interest on the Bonds shall not be made when the same shall become due and payable; or

(b) an "event of default" occurs and is continuing under any of the Loan Documents; or

(c) the Issuer shall fail to observe or perform in any material way any covenant, condition, agreement or provision contained in the Bonds or in the Indenture on the part of the Issuer to be performed other than those set forth in (a) or (b) above, and such failure shall continue for sixty (60) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer and the Company by the Trustee, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all Bonds then outstanding.

Except with respect to any Event of Default as specified in the Indenture, the Trustee, at any time, in its discretion, but only with the express written consent of the holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all of the Bonds then outstanding, may waive any Event of Default under the Indenture and its consequences and may rescind and annul any declaration of maturity of principal of the Bonds; provided, however, that the Trustee shall waive any Event of Default, other than any Event of Default as specified in paragraph (a) of this Section above, upon the written direction of the Registered Owners so to do.

There shall not be so waived, however, any Event of Default described in paragraph (a) of this Section above or any declaration of acceleration in connection therewith except with the written consent of the Registered Owners of all Bonds then outstanding. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Issuer, the Trustee and the holders shall be restored to their former positions and rights under the Indenture, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Acceleration. In the case of an Event of Default the Trustee may, and upon written request of the holders of at least sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all Bonds then outstanding, the Trustee, shall, by written notice given to the Issuer and the Company by the Trustee, declare the principal of all Bonds then outstanding to be due and payable immediately, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided in the said notice, anything in the Indenture or in said Bonds to the contrary notwithstanding.

Other Remedies; Rights of Bondholders. Proceedings by Trustee. Upon the happening and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Registered Owners of at least sixty six and two thirds percent (66 2/3%) in aggregate principal amount of the Bonds then outstanding, and upon receipt of indemnification satisfactory to it, shall:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Registered Owners and require the Issuer or the Company to carry out any agreements with or for the benefit of the Registered Owners and to perform its or their duties under the Act, the Loan Documents and the Indenture;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds;

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds; or

(e) exercise any and all rights available under law.

Right of Bondholders to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, upon the happening and continuance of any Event of Default the Registered Owners of not less than sixty-six and two thirds percent (66 2/3%) in aggregate principal amount of the Bonds then outstanding shall have the right upon providing the Trustee security and indemnity reasonably satisfactory (in its sole discretion) to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture.

No Registered Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Indenture, or any other remedy under the Indenture or on said Bonds, unless such Registered Owner previously shall have given to the Trustee written notice of an Event of Default as provided in the Indenture after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that no one or more Registered Owners of the Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Registered Owners of outstanding Bonds. Notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture, the obligation of the Issuer shall be absolute and unconditional to pay, but solely from the Revenues and other funds and collateral pledged under the Indenture, the principal of and premium, if any, and interest on the Bonds to the respective Registered Owners thereof at the respective due dates thereof, and nothing in the Indenture shall affect or impair the right of action, which is absolute and unconditional, of such Registered Owners to enforce such payment.

Amendments of Indenture. Subject to the conditions and restrictions in the Indenture contained, the Issuer, when the execution thereof is consented to in writing by the Company may, without the consent of the Registered Owners, enter into a Supplemental Indenture or Supplemental Indentures with the Trustee which thereafter shall form a part of the Indenture, for any one or more of the following purposes:

(a) to cure any ambiguity or to cure, correct or supplement any inconsistent provision contained in the Indenture or in any Supplemental Indenture;

(b) to assign additional revenues under the Indenture;

(c) to accept additional security and instruments and documents of further assurance with respect to the Project;

(d) to add to the covenants, agreements and obligations of the Issuer under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Registered Owners, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture, including without limitation, the limitation of rights of redemption so that in certain instances Bonds of different Series will be redeemed in some prescribed relationship to one another for the protection of the Registered Owners of a particular Series of Bonds;

(e) to evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Loan Agreement and the Bonds; or

(f) to permit the Trustee to comply with any obligations imposed upon it by law.

The provisions of (f) above shall not be deemed to constitute a waiver by the Trustee, the Issuer or any Registered Owner of any right which it may have in the absence of this provision to contest the application of any change in law to the Indenture or the Bonds.

The Issuer covenants pursuant to the Indenture that it will perform all the requirements of any such Supplemental Indenture which may be in effect from time to time; but no restriction or obligation imposed by the Indenture upon the Issuer in respect of any of the Bonds outstanding under the Indenture may, except as otherwise provided in the Indenture, be waived or modified by such Supplemental Indenture, or otherwise. Nothing in the Indenture contained shall affect or limit the right or obligation of the Issuer to execute and deliver to the Trustee any instrument of further assurance or other instrument which elsewhere in the Indenture it is provided shall be delivered to the Trustee.

Exclusive of Supplemental Indentures to which reference is made in the Indenture, any modification or alteration of the Indenture or of the rights and obligations of the Issuer or of the Registered Owners of the Bonds in any particular may be made with the consent of the Company and (a) the Registered Owners of not less than sixty-six and two thirds percent (66 2/3%) in aggregate principal amount of the Bonds then outstanding, or (b) in case less than all of the several Series of Bonds, if any, then outstanding are affected by the modifications or amendments, the Registered Owners of not less than sixty-six and two thirds percent (66 2/3%) in aggregate principal amount of the Bonds of each Series so affected then outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain outstanding, the consent of the Registered Owners of such Bonds shall not be required and such Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding Bonds under the Indenture. No such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Bonds the consent of the Registered Owners of which is required for any such modification or alteration, or permit the creation by the Issuer of any lien prior to or, except to secure Additional Bonds, on a parity with the lien of the Indenture upon the Revenues and other funds and collateral pledged under the Indenture or which will affect the currency of payment of the principal of, or interest or premium, if any, on, the Bonds.

For the purposes of the Indenture, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Registered Owners of Bonds of such Series. The Trustee shall determine whether or not in accordance with the foregoing provisions Bonds of any particular Series would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Issuer and all the Registered Owners of Bonds.

For all purposes of the Indenture, the Trustee shall be entitled to rely upon an Opinion of Counsel with respect to the extent, if any, to which any action affects the rights under the Indenture of any Registered Owners of Bonds then outstanding.

Discharge of Lien and Security Interest. When at any time the whole amount of the principal, premium, if any, and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Indenture by the Issuer, and all Administration Expenses shall have been paid or provided for through the deposit with the Trustee of Government Obligations, the principal of and the interest to be earned thereon is sufficient to pay all sums due in respect of the Bonds, then and in that case, the Indenture and the lien created hereby shall be discharged and satisfied and the

Issuer shall be released from the covenants, agreements and obligations of the Issuer contained in the Indenture, and the Trustee shall assign and transfer to the Company, all property (in excess of the amounts required for the foregoing) then held by the Trustee (including the Loan Agreement and all payments thereunder and all balances in any fund or account created under the Indenture), free and clear of any encumbrances other than Permitted Encumbrances and shall execute such documents as may be reasonably required by the Company in this regard.

When all of the Bonds of a particular Series shall have been paid and if, at the time of such payment, the Issuer shall have kept, performed and observed all the covenants and promises in such Bonds of a particular Series and in the Indenture required or contemplated to be kept, performed and observed by the Issuer or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds of a particular Series and such Bonds shall cease to be entitled to the lien of the Indenture.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of a particular Series of Bonds, the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds, to pay to the Registered Owners of Bonds the funds so held by the Trustee as and when such payment becomes due, and, on written demand of the Company and the Issuer, the Trustee shall assign and transfer to the Company, all property (in excess of the amounts required for the foregoing) then held by the Trustee (including the Loan Agreement and all payments thereunder and all balances in any Fund or account created under the Indenture) and shall execute such documents as may be delivered by the Company in this regard.

General Provisions Concerning the Trustee. The Indenture provides that the Trustee shall not be answerable for the exercise of any discretion or power under the Indenture or for anything whatever in connection with the trusts in the Indenture created, except only for its own willful or intentional misconduct or negligence. The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, receivers, or employees, and shall be entitled to obtain and rely on advice of counsel concerning all matters of trust and its duties under the Indenture and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, receiver, or employee selected by it with reasonable care. The Trustee shall have no responsibility for any funds other than those funds actually paid to or received or held by it under the Indenture.

Removal of Trustee. The Trustee at any time and for any reason may be removed by an instrument or instruments in writing appointing a successor filed with the Trustee so removed and executed by the Registered Owners of at least sixty-six and two thirds percent (66 2/3%) in aggregate principal amount of the Bonds then outstanding. The Trustee may at any time and for any reason resign and be discharged of the trusts created by the Indenture by executing an instrument in writing resigning such trust and specifying the date when such resignation shall take effect, and filing the same with the Secretary of the Issuer not less than thirty (30) days before the date specified in such instrument when such resignation shall take effect. Such resignation shall take effect on the day specified in such instrument and notice, unless a successor Trustee shall not have been previously appointed and accepted such appointment as provided in the Indenture, in which event such resignation shall take effect immediately on the appointment of and acceptance by such successor Trustee.

The Loan Agreement

Term of Agreement. The Loan Agreement shall remain in full force and effect from the date thereof to and including October 1, 2031 or until such time as all of the Bonds and the fees and expenses of the Issuer and the Trustee shall have been fully paid or provision made for such payments, whichever is later; provided, however, that the Loan Agreement may be terminated prior to such date pursuant to the terms thereof.

Loan Payments. The Company agrees to pay or cause to be paid to the Issuer, in immediately available funds, a sum equal to the aggregate principal amount of the Bonds issued under the Indenture, premium, if any, and with interest on the unpaid balances thereof at the rates payable by the Issuer on such Bonds, in the amounts and on the Payment Dates as follows:

(a) on or before each Payment Date on which interest on any Bonds is due, the amount which equals the interest to be paid on such Bonds on such Payment Date; and

(b) on or before each Payment Date on which principal on any Bonds is due, the amount which equals the sum of (1) the principal on such Bonds which will be due and payable on such Payment Date and (2) the amount due and payable on such Payment Date with respect to such Bonds;

provided, however, that if the Bonds shall theretofore have been deemed to have been paid pursuant to the Indenture no further payments need be made under subsections (a) and (b) of this Section above.

In the event the Company shall fail to make or cause to be made any of the payments required in the Loan Agreement, the payment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company will pay the same with interest thereon until paid at the rate or rates per annum borne by the applicable Bonds issued under the Indenture.

The Company further agrees to pay to the Issuer all other amounts due by the Issuer to the Trustee or the Registered Owners in respect of the Series 2011 Bonds as the same shall become due and payable.

The Company further agrees to pay to the Person to whom such payment is due on the date of delivery of the Series 2011 Bonds all Administration Expenses and thereafter as due, and all sums constituting a Bond Costs incurred by the Trustee and all other amounts due to the Trustee in respect of the Series 2011 Bonds.

Assignment to Trustee; Unconditional Obligation. It is understood and agreed that all payments by the Company under the Loan Agreement and the other Loan Documents (except payment of Administration Expenses pursuant to the Loan Agreement, indemnification payments pursuant to the Loan Agreement and fees and expenses pursuant to the Loan Agreement) are to be assigned by the Issuer to the Trustee. The Company consents to such assignment and agrees that its obligation to make such payments to the Trustee is absolute and unconditional and is not subject to any defense (other than payment) or any right of set-off, counterclaim or recoupment arising out of any breach by the Issuer of any representation, warranty or obligation to the Company, whether under the Loan Agreement or otherwise, or out of any indebtedness or liability at any time owing to the Company by the Issuer or by any Registered Owner of any Bond. The Issuer directs the Company, and the Company agrees, to pay to the Trustee at its Corporate Trust Office as stated in the Indenture all payments (except payment of Administration Expenses pursuant to the Loan Agreement, indemnification payments pursuant to the Loan Agreement and fees and expenses pursuant to the Loan Agreement) payable by the Company pursuant to the Loan Agreement or any of the other Loan Documents.

Prepayment of Loan Payments. The Company shall have the option to prepay its obligations under the Loan Agreement at the times and in the amounts as necessary to exercise its option to cause the Bonds to be redeemed as set forth in the Indenture. The Company agrees that it shall prepay its obligations under the Loan Agreement at the times and in the amounts as necessary to accomplish the mandatory redemption of the Bonds as set forth in the Indenture.

Maintenance and Modification of the Project. The Company will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals.

Maintenance of Existence and Qualification. The Company agrees that throughout the term of the Loan Agreement it shall maintain its existence as a limited liability company and shall not merge or consolidate with any other entity and shall not transfer or convey all or substantially all of its property, assets and licenses.

Insurance Required. Throughout the term of the Loan Agreement, the Company shall keep, or cause to be kept, the Project continuously insured against such risks as are customarily insured against by businesses of like size and type; provided, however, that the Company may self-insure in whole or in part with respect to any and all risks and liabilities affecting or relating to the Project to the extent and in the manner that it is the general practice of the Company to self-insure against such risks.

Events of Default. The following shall be "events of default" under the Loan Agreement, and the term "event of default" shall mean, whenever it is used in the Loan Agreement, any one or more of the following events or conditions:

(a) Failure by the Company to pay or cause to be paid when due any loan payment relating to principal of the Bonds required to be paid under the Indenture, the Loan Agreement or the Series 2011 Note;

(b) Any written representation or written warranty made by the Company in the Loan Agreement or any of the other Loan Documents shall prove to have been false in any material respect at the time of execution by the Company of the Loan Agreement;

(c) Failure of the Company to observe or perform promptly when due any covenant, agreement, or obligation under the Loan Agreement or under any of the other Loan Documents on its part to be observed or performed, which failure shall not be cured to the satisfaction of the Trustee within sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Trustee;

(d) The Company shall commence a voluntary case or other proceeding in bankruptcy or seeking liquidation, reorganization, arrangement, readjustment of its debts or for any other relief under the federal bankruptcy laws, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, or shall take any other action indicating its consent to, approval of, or acquiescence in any such case or proceedings, and said proceeding is not dismissed within sixty (60) days after the commencement thereof; the Company shall apply for, or consent to or acquiesce in the appointment of a receiver, liquidator, custodian, sequestrator, or a trustee for all or a substantial part of its Property; the Company shall make an assignment for the benefit of its creditors; or the Company shall fail, or shall admit in writing its failure, to pay its debts generally as such debts become due; or

(e) There shall be filed against the Company an involuntary petition in bankruptcy or seeking liquidation, reorganization, arrangement, readjustment of its debts or any other relief under the federal bankruptcy laws, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, and such petition is not set aside within sixty (60) days after such filing; or a receiver, liquidator, custodian, sequestrator, or trustee for all or a substantial part of the Property of the Company shall be appointed without the consent or approval of the Company or a warrant of attachment, execution or similar process against any substantial part of the Property of the Company is issued; and any of such events shall continue for sixty (60) days undismissed or undischarged or, within such sixty (60) days, an order for relief under the United States Bankruptcy Code is entered.

Remedies Upon Default. Upon the occurrence or existence of any Event of Default, any one or more of the following remedial steps may be taken provided that written notice of the Event of Default has been given to the Company by the Issuer, the Trustee or any Registered Owner, and the Event of Default has not theretofore been cured:

(a) If acceleration of the principal amount of the Series 2011 Bonds has been declared or has occurred pursuant to the Indenture, the Issuer shall declare all unpaid loan payments and amounts due under the Loan Documents, together with interest then due thereon, to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee may take any action at law or in equity to enforce the Loan Agreement, to collect the payments then due and thereafter to become due, and to enforce performance and observance of any obligation, agreement or covenant of the Company under the Loan Agreement, the Series 2011 Note or any other Transaction Document.

(c) The Trustee may exercise any of its other rights and remedies under any of the Loan Documents.

So long as any Event of Default has occurred and is continuing, the Trustee shall have the right, at its option, in addition to any rights or remedies available to it under the Loan Documents or by law, to enter into possession of the Project and perform (or arrange for the performance of) any and all work and labor necessary to complete the improvements and to perform (or arrange for the performance of) such acts as the Trustee may deem

desirable to secure, protect, and complete the Project. All sums expended by the Trustee or such purposes shall be due and payable by the Company upon demand together with interest thereon at the interest rate applicable to the Bonds and shall be secured by the Loan Documents.

The City of Jackson Lease

The City of Jackson Lease has a twenty-year term commencing on July 1, 2011, unless the Project is not substantially completed by that date, in which case the commencement date may be delayed. The annual rental payments under the City of Jackson Lease are \$487,000 for the first five years of the City of Jackson Lease. The annual rental payments shall be increased after five years based on increases in the Consumer Price Index, if any.

The City covenants and agrees that it shall take all such actions as may be necessary to include all lease payments and other amounts due under the terms of the City of Jackson Lease, as amended hereby, in the annual budget of the City, and to provide for periodic appropriations for all such payments from unrestricted revenues received by the City which are classified as amounts for deposit into the current, unrestricted general fund, the current auxiliary enterprise fund, and the current designated fund as the same are set forth in the financial reports of the City. The City further covenants and agrees that at all times when appropriation legislation is prepared by or for the City for consideration in each successive session of the City Council, it will cause to be included in all such appropriation legislation proposed and submitted by or for the City, sufficient amounts (over and above all other requirements of the City) to ensure that there are amounts available to satisfy all lease payments and other amounts due under the terms of the Lease, as amended hereby, so as to provide that the aggregate of each such appropriation will provide funds sufficient for payments of said lease payments and other amounts due under the terms of the City of Jackson Lease. So long as no default of any monetary obligation of the City has occurred, the City's obligation to pay any amounts due or pay any covenants requiring or resulting in the expenditure of money shall be contingent and expressly limited to the extent of any specific appropriation made by the City Council to fund the Lease. If the Lease is terminated for non-appropriation, the City may not lease other space that satisfies the same function as the Lease.

The Lease grants the City the right to purchase the Premises upon expiration of the primary term at a price equal to the unpaid balance at such time.

The City of Jackson Lease will be in substantially the form attached hereto as Appendix C.

NOTHING IN THE CITY OF JACKSON LEASE CREATES A MONETARY OBLIGATION ON THE PART OF THE CITY BEYOND THE CURRENT AND SPECIFIC ANNUAL APPROPRIATION MADE BY THE CITY TO FUND PAYMENTS UNDER THE CITY OF JACKSON LEASE.

Other Leases

The Company intends to enter into lease agreement(s) pursuant to which it will lease the remaining portion of the Facility that is not being leased to the City of Jackson (the "Other Leases"). The Company has not yet entered into negotiations with any potential tenants under the Other Leases. The Company's obligations under the Loan Agreement will be secured by a pledge and collateral assignment of the Company's rights in the Other Leases. Rental payments received by the Company with respect to the Other Leases will be paid to the Company unless and until there is a default by the Company under the Loan Agreement.

TAX MATTERS

Although the Bonds are issued by the Issuer, a public corporate and politic of the State, interest on the Bonds is not excludable from gross income for federal income tax purposes under the Code. Interest on the Bonds will be fully subject to federal income taxation, thus Owners of the Bonds generally must include interest on the Bonds in gross income for federal income tax purposes.

In the opinion of Watkins Ludlam Winter & Stennis, P.A., Bond Counsel, interest on the Bonds is exempt from income taxation in the State under existing laws, regulations, rulings and judicial decisions. This opinion relates only to the exemption of interest on the Bonds for State income tax purposes.

Although Bond Counsel has rendered an opinion that interest on the Bonds is exempt from State income tax, the accrual or receipt of interest on the Bonds may otherwise affect a bondholder's federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and a bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Bonds.

FINANCIAL ADVISOR

The Issuer has retained Government Consultants Inc. of Jackson, Mississippi as independent financial advisor (the "Financial Advisor") in connection with the sale and issuance of the Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of information in the Private Placement Memorandum. The Financial Advisor is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Private Placement Memorandum in accordance with accounting standards. The Financial Advisor is an independent advisory firm and will not participate in the underwriting of the Bonds.

AUDITORS

The financial statements of the City as of September 30, 2009, have been audited by Banks, Finley, White & Co., Ridgeland, Mississippi, independent certified public accountants, as set forth in their report thereon appearing included in "APPENDIX B" hereto. Banks, Finley, White & Co. has not performed any procedures relating to this Private Placement Memorandum.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase all of the Bonds for a purchase price of \$4,964,958.65, representing the par amount of \$5,195,000, less original issue discount of \$74,191.35, and less underwriter's discount of \$155,850. The obligation of the Underwriter to purchase the Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, as applicable, to be entered into between the Underwriter and the Issuer. The initial public offering prices set forth on the inside front cover page of this Private Placement Memorandum may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering prices set forth on the inside front cover page of this Private Placement Memorandum..

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds are subject to the approving opinion of Watkins Ludlam Winter & Stennis, P.A., Jackson, Mississippi, Bond Counsel, and counsel to the Underwriter. It is anticipated that the approving opinion of Bond Counsel will be substantially in the form attached hereto as **Appendix D**.

Certain legal matters will be passed upon for the Issuer by its counsel, Balch & Bingham, LLP, Jackson, Mississippi; and for the Company by its counsel, Begley Law Firm, PLLC, Jackson, Mississippi.

VALIDATION

The Bonds have been validated before the First Judicial District of the Chancery Court of Hinds County, Mississippi, as provided by Sections 31-13-1 to 31-13-11, Mississippi Code of 1972, as amended.

MISCELLANEOUS

Any statements in this Private Placement Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Private Placement Memorandum is not to be construed as a contract or agreement between the Issuer, the Company or and purchasers or owners of any of the Bonds.

The Issuer has consented to the distribution of this Private Placement Memorandum insofar as it relates to the Issuer and the transactions to which the Issuer is a party. The Issuer, however, has made no independent investigation with respect to the Company, the Project, the Bonds and the security therefor, or any other matter pertaining to the foregoing, and is not responsible for any information set forth herein except the information under the heading "THE ISSUER".

APPENDIX A
INFORMATION CONCERNING THE CITY OF JACKSON, MISSISSIPPI

General Description of the Area

The City of Jackson, Mississippi (the "City"), the county seat of the First Judicial District of Hinds County, Mississippi (the "County"), is located in the northeastern section of the County and has a land area of approximately 110 square miles. The City was named after General Andrew Jackson. On November 28, 1821, when legislation was passed to locate a permanent seat of government in the State, the City became the capital city of the State.

Today, the City is the largest municipality in the State and is considered to be the governmental, trade, financial, medical, educational and cultural center of the State. It is also known as the "Distribution Center of the Deep South" because of its strategic location at the crossroads of Dallas/Houston, Atlanta, Memphis and New Orleans.

The City is proud of its famed southern hospitality and quality of life. Community support is strong for the Mississippi Symphony Orchestra, the Mississippi Opera, the Mississippi Museum of Art, the Mississippi Natural Science Museum, the Agriculture and Forestry Museum, the Smith-Robertson Museum and Cultural Center, the Old Capitol Museum, New Stage Theatre (the State's only professional theatre) and numerous theatrical and musical performances that occur each year throughout the City. Nearby Pearl, Mississippi, is the new home to the Mississippi Braves, an Atlanta Braves farm team, and a new Bass Pro Shop.

The City is the permanent site in the United States for the USA International Ballet Competition, which was hosted in the City in the summers of 1982, 1986, 1990, 1998, 2002, 2006 and 2010. The USA International Ballet Competition is a two-week "olympic-style" competition where upcoming ballet stars vie for gold, silver, and bronze medals; cash awards and scholarships. Designated as the official USA Competition by a 1982 Joint Resolution of Congress, the USA International Ballet Competition is held every four years, in the tradition of sister competitions in Varna, Bulgaria and Moscow, Russia.

The City was chosen as the only site in the United States to host the historic "Palaces of St. Petersburg, Russian Imperial Style Exhibition" in 1996. This exhibit, held at the Mississippi Arts Pavilion, attracted 553,894 visitors. During 1998, the City hosted an exclusive European exhibition called "Splendors of Versailles", which brought 271,500 visitors to the City. In more recent years, the City has hosted the "Majesty of Spain", which drew 318,416 visitors from across the country to view masterpieces from the collections of Spain's royal palaces and the Prado Museum, and "The Glory of Baroque Dresden" exhibition, which consisted of over 300 major art works from Germany.

In January, 2009 the Jackson Convention Center opened in downtown Jackson. The Convention Center is seamlessly attached to the Mississippi TelCom Center to form the Jackson Convention Center Complex. In addition to offering the latest in conferencing ability, fiber optic technology and Wi-Fi capability, the Jackson Convention Center Complex offers 330,000 square feet of luxurious exhibit and meeting space conducive for hosting large regional and national conferences and trade shows, and entertainment events in downtown Jackson at a magnitude to which the City has never been able to do before.

Population of the City

The population of the City has been recorded as follows:

1990	2000	2009*
196,637	184,256	175,021

The population of the City's MSA in 2000 was 441,982.

* Estimated.

SOURCE: United States Bureau of the Census.

City Government

The City operates under the Mayor-Council form of government. The City Council (the "Council") is comprised of seven Council members who serve part-time and are elected for four-year terms from separate districts or wards. The Mayor, who serves full time and is elected at large for a four-year term, is the head of the executive branch of the City's government, with veto power over actions of the Council (subject to override). The current Mayor and members of the Council are:

Name	Occupation/Position	Held Since	Current Term Expires
Harvey Johnson, Jr.	Mayor	2009	July 1, 2013
Chokwe Lumumba	Council Member	2009	July 1, 2013
Kenneth I. Stokes	Council Member	1989	July 1, 2013
Frank Bluntson	Council Member	2005	July 1, 2013
Margaret C. Barrett-Simone	Council Member	1985	July 1, 2013
Charles Tillman	Council Member	2005	July 1, 2013
Tony Yarber	Council Member	2009	July 1, 2013
Jeff Weill	Council Member	2007	July 1, 2013

Transportation

Two interstate highway systems intersect in the City. Interstate Highway 55 runs north and south and connects Memphis, Tennessee, to the north and to New Orleans, Louisiana, to the south. Interstate Highway 20 runs east and west and connects Birmingham, Alabama, and Atlanta, Georgia, to the east and Dallas, Texas, to the west. U.S. Highways 49, 51 and 80, State Highways 18, 25 and 468 and a number of county highways provide access to all areas of the County and the State. U.S. Highway 49 connects the City to Hattiesburg, Mississippi, and the Mississippi Gulf Coast.

Rail transportation is provided by Canadian National/Illinois Central Railroad Company, which operates two north-south lines, and Kansas City Railway Company, which operates one east-west line. Amtrak runs daily passenger service between Chicago, Illinois, and New Orleans, Louisiana. Numerous motor freight carriers are authorized to serve the City and offer interstate and intrastate shipping services.

Commercial air service is available at the Jackson-Evers International Airport (the "Airport") located approximately 10 miles east of the City in Rankin County, Mississippi. The Airport has a modern terminal and two 8,500-foot runways, has been designated as a general-purpose foreign trade zone and is a U.S. Customs Port of Entry. Private and business aircraft operate from the field's complete, fixed-base facilities. American Eagle, Delta Airlines, Delta Connection, Delta Connection Comair, Continental Airlines, US Air and Southwest Airlines offer non-stop flights to Atlanta, Baltimore, Charlotte, Chicago, Dallas/Ft. Worth, Detroit, Houston, Memphis, Orlando and Washington, D.C., with connecting service available to almost every major city in the United States. Air cargo carriers include United Parcel Service. Trucking cargo is provided through BAX Global. The Airport has recently undergone a \$15 million air cargo expansion program, which offers 450,000 square feet of aircraft parking and 60,000 square feet of warehousing distribution facilities. A smaller airport, Hawkins Field, is located near the City's downtown and provides fixed-base operations for private and corporate pilots.

The nearest port, the Port of Vicksburg (the "Port"), is located 44 miles west of the City on the Mississippi River in Warren County, Mississippi. The Port, which has a channel depth of 12 feet and a width of 300 feet, is a U.S. Customs Port of Entry and a designated general-purpose foreign trade zone. More than 3,000,000 tons of cargo pass through the Port each year.

Intercity bus service is provided by Greyhound, which provides more than 40 inbound and outbound buses daily. Citywide bus service, which includes 13 fixed routes and demand response handlift services, is provided by the City through its management company, JATRAM. Several vehicles for hire service providers are located in the metropolitan area, which supply the citizens with quality taxi, limousine and shuttle services. The City opened the

renovated Union Station in 2004, which is a multi-modal transportation center for Amtrak, Greyhound and JATRAM.

Population of the County

The population of the County has been recorded as follows:

1990	2000	2009*
254,441	250,800	247,631

*Estimated.

SOURCE: United States Bureau of the Census.

Per Capita Income of the County

Year	County	Mississippi	United States	County as % of U.S.
2008	\$ 35,385	\$ 30,383	\$ 40,166	88%
2007	34,057	29,542	39,392	86
2006	33,610	28,006	37,698	89
2005	31,359	26,819	35,424	89
2004	29,921	25,157	33,881	88

SOURCE: Bureau of Economic Analysis: State and Local Personal Income, Regional Data Chart, February 2011.

Retail Sales of the City

Year	Total Retail Sales	No. of Taxpayers	Total Gross Sales Tax
2010	\$2,573,052,210	4,274	\$167,072,197
2009	2,799,408,505	5,015	181,248,051
2008	3,042,419,980	5,021	196,269,070
2007	3,120,969,093	5,030	200,960,289
2006	3,336,042,431	5,076	211,597,362

SOURCE: Mississippi State Tax Commission, Annual Reports at the Mississippi Department of Revenue website:
<http://www.dor.ms.gov>

Banking Institutions in the City

Institution	2010 Total Assets ¹
Wells Fargo Bank, National Association ²	\$1,065,890,000,000
Regions Bank ²	133,186,492,000
BancorpSouth Bank ³	13,232,594,000
BankPlus	9,164,007,000
BankPlus ³	2,208,434,000
Merchants and Farmers Bank ³	1,621,012,000
State Bank & Trust Company ³	919,195,000
Community Bank of Mississippi ³	649,290,000
Crescent Bank & Trust ²	618,839,000
Liberty Bank and Trust Company ²	413,543,000

Great Southern National Bank ³	264,822,000
First Commercial Bank	259,140,000
Merchants and Planters Bank ³	99,482,000
Omnibank ³	78,657,000

¹As of March 31, 2010.

²Home based out of State.

³Home based outside City limits.

SOURCE: FDIC, August 2010.

Construction Permits of the City

Fiscal Year Ended 9/30	Commercial Construction Permits		Residential Construction Permits	
	Number	Commercial Value	Number	Residential Value
2009	33	\$ 97,045,540	41	\$ 4,588,909
2008	33	147,517,323	466	50,486,347
2007	24	94,626,677	268	33,309,878
2006	32	40,567,774	125	21,229,133
2005	22	14,019,188	94	18,423,517

SOURCE: Deputy Directory of Administration, City of Jackson, Mississippi, February, 2011.

Employment Statistics of the City

	2005	2006	2007	2008	2009
<i>Residence Based Employment</i>					
Civilian Labor Force	263,020	258,610	258,780	258,690	259,590
Unemployed	15,750	13,510	13,270	14,250	19,490
Employed	247,270	245,100	245,510	244,440	240,100

SOURCE: Mississippi Department of Employment Security, website: www.mdes.ms.gov Annual Averages, Labor Force and Establishment Based Employment 2001 Forward.

Major Area Employers

The following is a partial listing of the major employers in the City's MSA, their products or services and their approximate number of employees:

Employer	Product/Service	Employees
State of Mississippi	State Government	31,556
University of Mississippi Medical Center	Medical Center Academic and Health Science Center	8,000
United States Government	Federal Government	5,500
Jackson Public School District	Public Education	4,921
Nissan North America Inc.	Manufacturing: Automobiles	3,673
Rankin County School District	Public Education	3,039
Baptist Health Systems	Healthcare Services	2,875

Wal-Mart Stores, Inc.	Discount Stores	2,725
St. Dominic Health Services	Healthcare Services	2,600
Mississippi State Hospital	Psychiatric, medical/surgical, chemical dependency and nursing home care	2,500
City of Jackson	City Government	2,323
Jackson State University	Higher Education	1,667
Madison County School District	Public Education	1,500
AT&T	Local Exchange Service, Internet Access, Intrastate/Intralata Long Distance	1,300
River Oaks Health System	Healthcare Services	1,236
Central Mississippi Medical Ctr	Healthcare Services	1,200
Kroger	Grocery Store	1,200
BankPlus	Financial Services	1,075

SOURCE: Metro Jackson Chamber of Commerce, August 2010.

Educational Facilities

The Jackson Public School District is the largest school district in the State with 59 schools: 8 high schools, 10 middle schools, 38 elementary schools, and 3 special schools (Capital City Alternative School, Career Development Center and Morrison Academic Advancement Center). Students are enrolled in grades K-12, with 18 elementary schools offering pre-K classes. The District offers special programs for its academically and artistically talented students at its Academic and Performing Arts Complex and for health-related professional programs at Bailey Magnet High School. Eighty-seven percent (87%) of the schools in the District are rated as successful, exemplary, or superior by the Mississippi Commission on School Accreditation, and every school in the District is accredited by the Southern Association of Colleges and Schools. The District employs 4,921 individuals, including 2,357 licensed employees. The average teacher salary is \$45,590.

Enrollment figures for the District for the 2009-2010 scholastic year and the four preceding years are as follows:

Scholastic Year	Enrollment
2009-10	30,617
2008-09	30,587
2007-08	31,191
2006-07	31,941
2005-06	32,403

Source: Mississippi Department of Education, Information Services, February 2011.

Education beyond high school in the metropolitan area is provided by Jackson State University, the state's medical school, four well-established private colleges, including a law school, two community colleges and five seminaries.

TAX INFORMATION

Assessed Valuation of Property in the City¹

Fiscal Year Ending 9/30	Real Property	Personal Property ²	Public Utilities	Total
2006	\$645,445,127	\$316,358,101	\$132,361,023	\$1,094,164,251
2007	657,348,277	318,139,208	132,707,277	1,108,194,762
2008	658,357,211	314,653,853	145,341,826	1,118,352,890
2009	733,942,673	315,525,190	116,858,076	1,166,325,939
2010	740,892,777	297,029,550	115,979,165	1,153,901,492
2011	748,861,444	170,938,976	235,070,641	1,154,871,061

Source: Office of the Hinds County Tax Assessor and Office of the City Administrator, August 2010.

Assessed Valuation of Property in the County¹

Fiscal Year Ending 9/30	Real Property	Personal Property ²	Public Utilities	Total
2006	\$923,846,180	\$492,701,833	\$175,895,152	\$1,592,443,165
2007	941,927,566	502,513,445	171,698,225	1,616,139,236
2008	868,643,068	499,207,152	173,768,808	1,541,619,028
2009	1,062,577,805	491,567,497	146,342,260	1,700,487,562
2010	1,169,229,407	451,589,047	168,222,305	1,789,040,759
2011	1,171,580,961	454,625,981	168,222,305	1,794,429,247

¹The total assessed valuation is approved in September preceding the fiscal year of the City/County and represents the value of real property, personal property and public utility property for the year indicated on which taxes are assessed for the following fiscal years budget. For example, the taxes for the assessed valuation figures for 2009 were collected starting in January 2010 for the 2009-2010 fiscal year budgets of the City/County.

SOURCE: Office of the Hinds County Tax Assessor, August 2010.

Pursuant to Section 27-35-4, Mississippi Code of 1972, assessed valuations of property are based upon the following assessment ratios:

1. Real and personal property (excluding single-family, owner-occupied residential real property and motor vehicles): 15% of true value;
2. Single-family, owner-occupied residential real property: 10% of true value;
3. Motor vehicles and public utility property: 30% of true value.

The 1986 Session of the Mississippi Legislature adopted House Concurrent Resolution No. 41, pursuant to which an amendment was proposed to the Mississippi Constitution of 1890 (the "1986 Amendment"). The 1986 Amendment provided, inter alia, that the assessment ratio of anyone class of property shall not be more than three times the assessment ratio of any other class of property.

The 1986 Amendment set forth five (5) classes of property and the assessment ratios, which would be applicable thereto upon adoption of the 1986 Amendment. The assessment ratios set forth in the 1986 Amendment are identical to those established by Section 27-35-4, Mississippi Code of 1972, as it existed prior to the 1986 Amendment, except that the assessment ratio for single-family, owner-occupied residential real property under the 1986 Amendment is set at 10% of true value as opposed to 15% of true value under existing law.

Procedure for Property Assessments

Real and personal property valuations for City and County property, other than motor vehicles and property owned by public utilities, are determined by the County Tax Assessor. All taxable real property situated in the County is assessed each year and taxes thereon paid for the ensuing year. Assessment rolls of such property subject to taxation are prepared by the County Tax Assessor and are delivered to the Board of Supervisors of the County on the first Monday in July. Thereafter, the assessments are equalized by the Board of Supervisors and notice is given to the taxpayers that the Board of Supervisors will meet to hear objections to the assessment. After objections are heard, the Board of Supervisors adjusts the rolls and submits them to the State Tax Commission, which examines the rolls on receipt. The State Tax Commission may then accept the rolls or, if it finds a roll incorrect in any particular, return the rolls to the Board of Supervisors to be corrected in accordance with the recommendations of the State Tax Commission. If the Board of Supervisors has any objections to the order of the State Tax Commission, it may arrange a hearing before the Commission. Otherwise, the assessment roll is finalized and submitted to the County Tax Collector for collection. The assessed value of motor vehicles is determined by an assessment schedule prepared each year by the State Tax Commission. With minor exceptions, the property of public utilities is assessed each year by the State Tax Commission.

Procedure for Tax Collections

The Council is required each year to levy taxes upon all taxable property within the City to provide sufficient revenue to cover the operating expenses of the City. If any taxpayer neglects or refuses to pay his taxes on the due date thereof, the unpaid taxes will bear interest at the rate of one percent per month or fractional part thereof from the delinquent date to the date of payment of such taxes. When enforcement officers take action to collect delinquent taxes, other fees, penalties and costs may accrue. Both real property and personal property are subject to being sold at public sale for nonpayment of taxes.

Ad valorem taxes on personal property are payable at the same time and in the same manner as on real property. Section 27-41-15, Mississippi Code of 1972, as amended, provides that upon failure of a taxpayer to make timely payment, the tax collector of each county is authorized to sell any personal property liable for unpaid taxes at the courthouse door of such county, unless the property is too cumbersome to be removed. Five days' notice of the sale in an advertisement posted in three public places in such county, one of which must be the courthouse of such county, is required. If the sale is for delinquent municipal taxes, the advertisements must follow any special ordinance adopted by the municipality regarding personal property sales. Interest, fees, costs and expenses of sale are recoverable in addition to the delinquent taxes. If sufficient personal property cannot be found, the tax collector may make a list of debts due such taxpayer from other persons and sell such debts. The tax collector is further directed to sell sufficient other properties of such taxpayer to pay the delinquent taxes; Debts sold may be redeemed within six months from the sale in the same manner as redemption of land from tax sales.

Section 27-41-55, Mississippi Code of 1972, as amended, provides that after the fifth day of August in each year, the tax collector for each county shall advertise and sell all land in such county on which all taxes due and in arrears have not been paid as well as all land liable for other matured taxes. The sale is held at the door of the courthouse of such county on the last Monday of August following said advertisement. The owner, or any person interested in the land sold for taxes, may redeem the land at any time within two years after the date of sale by paying all taxes, costs, interest and damages due to the county's chancery clerk. A valid tax sale will mature two years after the date of sale unless the land is redeemed and title will vest in the purchaser on such date.

At the option of the tax collector, advertisement for the sale of such county lands may be made after the fifteenth day of February in each year with the sale of such lands to be held on the first Monday of April following said advertisement. All provisions which relate to the tax sale held in August of each year shall apply to the tax sale if held in April.

County and municipal taxes assessed upon lands or personal property are entitled to preference over all judgments, executions, encumbrances or liens, however created.

City's Tax Levy Per \$1,000 Valuation¹

	2011	2010	2009	2008	2007
General Fund	45.81	42.53	43.69	44.72	39.67
Parks & Recreation Fund	2.00	2.00	2.00	2.00	2.00
Debt Service Fund	3.07	6.63	5.47	4.47	9.52
Special Revenue Pension Fund	5.75	5.56	5.56	5.56	5.56
Jackson/Hinds Library System	1.40	1.31	1.31	1.28	1.28
Jackson Public School District	<u>74.99</u>	<u>74.99</u>	<u>74.99</u>	<u>74.99</u>	<u>74.99</u>
Total City Purposes Levy	<u>58.03</u>	<u>58.03</u>	<u>58.03</u>	<u>58.03</u>	<u>58.03</u>

¹ Tax levy figures are given in mills.

SOURCE: Office of the Deputy Director of Administration of the City, February 2011.

City Ad Valorem Tax Collections¹

Year	Total Tax Levy	Amount Collected ²	Collections as Percent of Levy
2010	\$58,919,123	\$59,082,147	100.3%
2009	59,890,601	59,595,270	99.5
2008	52,763,185	52,590,694	99.7
2007	53,067,311	53,335,167	100.5
2006	50,051,425	50,104,341	100.1

¹ Does not include school taxes and automobile taxes.

² Includes delinquent tax collections.

SOURCE: Office of the Deputy Director of Administration of the City, February 2011.

Reappraisal of Property and Limitation on Ad Valorem Levies

Senate Bill No. 2672, General Laws of Mississippi, Regular Session 1980, codified in part as Sections 27-35-49 and 27-35-50, Mississippi Code of 1972 (the "Reappraisal Act"), provides that all real and personal property in the State shall be appraised at true value and assessed in proportion to true value. To ensure that property taxes do not increase dramatically as the counties complete reappraisals, the Reappraisal Act provides for the limit on increase in tax revenues discussed below.

The statute limits ad valorem tax levies by a city subsequent to October 1, 1980, to a rate which will result in an increase in total receipts of not greater than 10% over the previous year's receipts, excluding revenue from ad valorem taxes on any newly constructed properties, any existing properties added to the tax rolls or any properties previously exempt which were not assessed in the next preceding year. This limitation does not apply to levies for the payment of the principal of and the interest on general obligation bonds issued by a city or to certain other specified levies. The limitation may be increased only if the proposed increase is approved by a majority of those voting in an election held on such question.

On August 20, 1980, the Mississippi Supreme Court rendered its decision in *State Tax Commission v. Fondren*, 387 So. 2d 712, affirming the decree of the Chancery Court of the First Judicial District of Hinds County, Mississippi, wherein the State Tax Commission was enjoined from accepting and approving assessment rolls from any county in the State for the tax year 1983 unless the State Tax Commission equalized the assessment rolls of all of the counties. Due to the intervening passage of the Reappraisal Act, the Supreme Court reversed that part of the lower court's decree ordering the assessment of property at true value (although it must still be appraised at true value), holding instead that assessed value may be expressed as a percentage of true value. Pursuant to the Supreme Court modification of the Chancellor's decree, on November 15, 1980, the State Tax Commission filed a master plan to assist counties in determining true value. On February 7, 1983, the Chancery Court granted an extension until

July 1, 1984, of its previous deadline past which the State Tax Commission could not accept and approve tax rolls from counties which had not yet reappraised. The County has completed a number of reappraisals since 1984 and is currently conducting a reappraisal.

Homestead Exemption

The Mississippi Homestead Exemption Law of 1946 reduces the local tax burden on qualified homesteads and provides substitute revenues from other sources of taxation on the State level as a reimbursement to the local taxing units for such tax loss. Provisions of the homestead exemption law determine qualification, define ownership and limit the amount of property that may come within the exemption. The exemption is not applicable to taxes levied for the payment of the City Bond, except as hereinafter noted.

Those homeowners who qualify for the homestead exemption and who have reached the age of 65 years on or before January 1 of the year for which the exemption is claimed; service-connected, totally disabled American veterans who were honorably discharged from military service; and those qualified as disabled under the federal Social Security Act are exempt from any and all ad valorem taxes on qualified homesteads not in excess of \$7,500 of assessed value.

The tax loss resulting to local taxing units from qualified homestead exemptions is reimbursed by the State Tax Commission. Beginning with the 1984 supplemental ad valorem tax roll and for each roll thereafter, no taxing unit shall be reimbursed an amount in excess of 106% of the total net reimbursement made to such taxing unit in the next preceding year.

Largest Taxpayers

The ten largest taxpayers in the City for assessment year 2009 are as follows:

Taxpayer	Assessed Valuation	Taxes Collected
BellSouth Telecommunications Entergy	\$56,538,377	\$3,280,922
Atmos Energy	52,009,751	3,018,126
Parkway Properties	9,693,524	562,515
BankPlus	7,645,173	443,649
Jackson HMA	7,557,651	438,570
Jackson Medical Center	5,601,247	325,040
Wal-Mart/Sam's Wholesale Club	5,122,818	297,277
AT&T	4,910,738	284,970
Central Mississippi Medical Center	4,075,322	236,491
Total	3,575,348	207,477

SOURCE: Office of the Deputy Director of Administration of the City, February, 2011.

DEBT INFORMATION

Legal Debt Limit Statement ¹

	15% Limit	20% Limit
Authorized Debt Limit (Last Completed Assessment for Taxation - \$1,153,901,492)	\$173,230,659	\$230,974,212
Present Debt Subject to Debt Limits	<u>66,720,000</u>	<u>66,720,000</u>
Margin for Further Debt Under Debt Limits	<u>\$106,510,659</u>	<u>\$164,254,212</u>

¹ Does not include the \$65,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2006 (City of Jackson, Mississippi General Obligation Capital City Convention Center Project), dated November 8, 2006 which were issued to finance the construction of the City's Convention Center (the "Convention Center Bonds").

SOURCE: Office of the Director of Administration of the City, February, 2011.

Statutory Debt Limits

The City is subject to a general statutory debt limitation under which no municipality in the State may incur general obligation bonded indebtedness in an amount which will exceed 15% of the assessed value of the taxable property within such municipality according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15% limitation, there may be deducted all bonds or other evidences of indebtedness issued for school, water and sewerage systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying a municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case may municipality contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20% of the assessed value of the taxable property within such municipality.

In arriving at the limitations set forth above, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under the provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1972, as amended, and special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, as amended, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

Outstanding Bonded Debt (as of January 31, 2011)

Issue	Date of Issue	Final Maturity Date	Par Amount	Outstanding Principal
General Obligation Bonds				
General Obligation Bond, Series 2003	2/19/03	3/01/23	20,000,000	\$12,395,000
General Obligation Refunding Bonds, Series 2005	8/04/05	10/01/17	20,960,000	9,615,000
General Obligation Convention Center Bonds, Series 2006 ¹	11/08/06	3/01/36	65,000,000	65,000,000
General Obligation Series 2009 Street Bond	1/06/09	1/1/2024	26,210,000	21,045,000
General Obligation Refunding Series 2010	9/22/2010	4/1/2024	23,665,000	<u>23,665,000</u>
Total Outstanding General Obligation Bond Debt				<u>\$131,720,000</u>

City of Jackson, Mississippi
Annual Maturities of Principal and Interest by Bond and Fund Type
As of September 30, 2010

Year	General Obligation Bonds			Debt Service Fund			Water and Sewer Funds			Total			General Obligation Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011		6,201,755.28	6,201,755.28		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,201,755.28	6,201,755.28	6,201,755.28		
2012	430,000.00	6,251,833.27	6,681,833.27		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	430,000.00	6,251,833.27	6,681,833.27	430,000.00	6,251,833.27	6,681,833.27
2013	650,000.00	6,232,014.52	6,882,014.52		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	650,000.00	6,232,014.52	6,882,014.52	650,000.00	6,232,014.52	6,882,014.52
2014	3,265,000.00	6,142,227.02	9,407,227.02		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,265,000.00	6,142,227.02	9,407,227.02	3,265,000.00	6,142,227.02	9,407,227.02
2015	5,740,000.00	5,923,158.27	11,663,158.27		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,740,000.00	5,923,158.27	11,663,158.27	5,740,000.00	5,923,158.27	11,663,158.27
2016	6,100,000.00	5,629,933.27	11,729,933.27		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,100,000.00	5,629,933.27	11,729,933.27	6,100,000.00	5,629,933.27	11,729,933.27
2017	6,480,000.00	5,318,389.52	11,798,389.52		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,480,000.00	5,318,389.52	11,798,389.52	6,480,000.00	5,318,389.52	11,798,389.52
2018	6,885,000.00	4,995,970.77	11,880,970.77		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,885,000.00	4,995,970.77	11,880,970.77	6,885,000.00	4,995,970.77	11,880,970.77
2019	7,870,000.00	4,662,968.78	12,532,968.78		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,870,000.00	4,662,968.78	12,532,968.78	7,870,000.00	4,662,968.78	12,532,968.78
2020	8,320,000.00	4,296,781.52	12,616,781.52		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,320,000.00	4,296,781.52	12,616,781.52	8,320,000.00	4,296,781.52	12,616,781.52
2021	8,810,000.00	3,886,184.14	12,696,184.14		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,810,000.00	3,886,184.14	12,696,184.14	8,810,000.00	3,886,184.14	12,696,184.14
2022	9,355,000.00	3,434,108.01	12,789,108.01		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,355,000.00	3,434,108.01	12,789,108.01	9,355,000.00	3,434,108.01	12,789,108.01
2023	9,925,000.00	2,950,022.02	12,875,022.02		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,925,000.00	2,950,022.02	12,875,022.02	9,925,000.00	2,950,022.02	12,875,022.02
2024	10,480,000.00	2,485,593.76	12,965,593.76		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,480,000.00	2,485,593.76	12,965,593.76	10,480,000.00	2,485,593.76	12,965,593.76
2025	2,510,000.00	2,211,318.76	4,721,318.76		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,510,000.00	2,211,318.76	4,721,318.76	2,510,000.00	2,211,318.76	4,721,318.76
2026	2,725,000.00	2,093,531.26	4,818,531.26		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,725,000.00	2,093,531.26	4,818,531.26	2,725,000.00	2,093,531.26	4,818,531.26
2027	2,945,000.00	1,965,156.26	4,910,156.26		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,945,000.00	1,965,156.26	4,910,156.26	2,945,000.00	1,965,156.26	4,910,156.26
2028	3,185,000.00	1,825,546.88	5,010,546.88		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,185,000.00	1,825,546.88	5,010,546.88	3,185,000.00	1,825,546.88	5,010,546.88
2029	3,435,000.00	1,674,750.00	5,109,750.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,435,000.00	1,674,750.00	5,109,750.00	3,435,000.00	1,674,750.00	5,109,750.00
2030	3,700,000.00	1,512,203.13	5,212,203.13		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,700,000.00	1,512,203.13	5,212,203.13	3,700,000.00	1,512,203.13	5,212,203.13
2031	3,980,000.00	1,337,203.13	5,317,203.13		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,980,000.00	1,337,203.13	5,317,203.13	3,980,000.00	1,337,203.13	5,317,203.13
2032	4,285,000.00	1,139,375.00	5,424,375.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,285,000.00	1,139,375.00	5,424,375.00	4,285,000.00	1,139,375.00	5,424,375.00
2033	4,615,000.00	916,875.00	5,531,875.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,615,000.00	916,875.00	5,531,875.00	4,615,000.00	916,875.00	5,531,875.00
2034	4,965,000.00	677,375.00	5,642,375.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,965,000.00	677,375.00	5,642,375.00	4,965,000.00	677,375.00	5,642,375.00
2035	5,335,000.00	419,875.00	5,754,875.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,335,000.00	419,875.00	5,754,875.00	5,335,000.00	419,875.00	5,754,875.00
2036	5,730,000.00	143,250.00	5,873,250.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,730,000.00	143,250.00	5,873,250.00	5,730,000.00	143,250.00	5,873,250.00
Totals	\$ 131,720,000.00	\$ 84,327,399.57	\$ 216,047,399.57	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 131,720,000.00	\$ 84,327,399.57	\$ 216,047,399.57	\$ 131,720,000.00	\$ 84,327,399.57	\$ 216,047,399.57

* The payments for the \$20,960,000 General Obligation Refunding Bonds, Series 2005 are made in September of each fiscal year. Therefore, the debt service fund principal and interest amounts will not coincide with the amortization schedule by year.

City of Jackson, Mississippi
Annual Maturities of Principal and Interest by Bond and Fund Type
As of September 30, 2007

Revenue Bonds				Water and Sewer Funds				Total Revenue Bonds			
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2011	0.00	0.00	0.00	6,085,000.00	7,284,040.00	13,369,040.00	6,085,000.00	7,284,040.00	13,369,040.00	6,085,000.00	7,284,040.00
2012	0.00	0.00	0.00	4,245,000.00	6,996,407.50	11,241,407.50	4,245,000.00	6,996,407.50	11,241,407.50	4,245,000.00	6,996,407.50
2013	0.00	0.00	0.00	4,425,000.00	6,818,507.50	11,243,507.50	4,425,000.00	6,818,507.50	11,243,507.50	4,425,000.00	6,818,507.50
2014	0.00	0.00	0.00	4,605,000.00	6,637,407.50	11,242,407.50	4,605,000.00	6,637,407.50	11,242,407.50	4,605,000.00	6,637,407.50
2015	0.00	0.00	0.00	4,805,000.00	6,434,620.00	11,239,620.00	4,805,000.00	6,434,620.00	11,239,620.00	4,805,000.00	6,434,620.00
2016	0.00	0.00	0.00	5,045,000.00	6,199,022.50	11,244,022.50	5,045,000.00	6,199,022.50	11,244,022.50	5,045,000.00	6,199,022.50
2017	0.00	0.00	0.00	5,300,000.00	5,943,285.00	11,243,285.00	5,300,000.00	5,943,285.00	11,243,285.00	5,300,000.00	5,943,285.00
2018	0.00	0.00	0.00	5,555,000.00	5,685,047.50	11,240,047.50	5,555,000.00	5,685,047.50	11,240,047.50	5,555,000.00	5,685,047.50
2019	0.00	0.00	0.00	5,825,000.00	5,418,085.00	11,243,085.00	5,825,000.00	5,418,085.00	11,243,085.00	5,825,000.00	5,418,085.00
2020	0.00	0.00	0.00	6,105,000.00	5,138,097.50	11,243,097.50	6,105,000.00	5,138,097.50	11,243,097.50	6,105,000.00	5,138,097.50
2021	0.00	0.00	0.00	6,405,000.00	4,833,622.50	11,238,622.50	6,405,000.00	4,833,622.50	11,238,622.50	6,405,000.00	4,833,622.50
2022	0.00	0.00	0.00	6,720,000.00	4,514,185.00	11,234,185.00	6,720,000.00	4,514,185.00	11,234,185.00	6,720,000.00	4,514,185.00
2023	0.00	0.00	0.00	7,060,000.00	4,178,997.50	11,238,997.50	7,060,000.00	4,178,997.50	11,238,997.50	7,060,000.00	4,178,997.50
2024	0.00	0.00	0.00	7,405,000.00	3,828,662.50	11,233,662.50	7,405,000.00	3,828,662.50	11,233,662.50	7,405,000.00	3,828,662.50
2025	0.00	0.00	0.00	5,515,000.00	3,466,750.00	8,981,750.00	5,515,000.00	3,466,750.00	8,981,750.00	5,515,000.00	3,466,750.00
2026	0.00	0.00	0.00	5,790,000.00	3,191,000.00	8,981,000.00	5,790,000.00	3,191,000.00	8,981,000.00	5,790,000.00	3,191,000.00
2027	0.00	0.00	0.00	6,080,000.00	2,901,500.00	8,981,500.00	6,080,000.00	2,901,500.00	8,981,500.00	6,080,000.00	2,901,500.00
2028	0.00	0.00	0.00	6,385,000.00	2,597,500.00	8,982,500.00	6,385,000.00	2,597,500.00	8,982,500.00	6,385,000.00	2,597,500.00
2029	0.00	0.00	0.00	6,705,000.00	2,278,250.00	8,983,250.00	6,705,000.00	2,278,250.00	8,983,250.00	6,705,000.00	2,278,250.00
2030	0.00	0.00	0.00	7,030,000.00	1,943,000.00	8,973,000.00	7,030,000.00	1,943,000.00	8,973,000.00	7,030,000.00	1,943,000.00
2031	0.00	0.00	0.00	7,385,000.00	1,591,500.00	8,976,500.00	7,385,000.00	1,591,500.00	8,976,500.00	7,385,000.00	1,591,500.00
2032	0.00	0.00	0.00	7,755,000.00	1,222,250.00	8,977,250.00	7,755,000.00	1,222,250.00	8,977,250.00	7,755,000.00	1,222,250.00
2033	0.00	0.00	0.00	8,140,000.00	834,500.00	8,974,500.00	8,140,000.00	834,500.00	8,974,500.00	8,140,000.00	834,500.00
2034	0.00	0.00	0.00	8,550,000.00	427,500.00	8,977,500.00	8,550,000.00	427,500.00	8,977,500.00	8,550,000.00	427,500.00
<u>\$ 0.00 \$</u>				<u>\$ 148,920,000.00 \$</u>	<u>\$ 100,363,737.50 \$</u>	<u>\$ 249,283,737.50 \$</u>	<u>\$ 148,920,000.00 \$</u>	<u>\$ 100,363,737.50 \$</u>	<u>\$ 249,283,737.50 \$</u>	<u>\$ 148,920,000.00 \$</u>	<u>\$ 100,363,737.50 \$</u>

APPENDIX B

**CITY OF JACKSON, MISSISSIPPI FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Harvey Johnson, Jr.
and Honorable Members of the City Council
City of Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Jackson, Mississippi (the City), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplemental information in the accompanying combining and individual fund financial statements as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City of Jackson, Mississippi, management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units of the City of Jackson, Mississippi, as follows: Jackson Redevelopment Authority and Capital City Convention Center Commission which statements reflect assets and revenues of 31.70 percent and 41.49 percent, respectively, of the business-type activities funds. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respect, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jackson, Mississippi, as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, and internal service fund of the City of Jackson as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2010 on our consideration of the City of Jackson, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and budgetary comparison information on pages 3 through 11 and 87 through 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jackson, Mississippi's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profits Organizations*, and is also not a required part of the basic financial statements of the City of Jackson, Mississippi. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all materials respects in relations to the financial statements taken as a whole. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Banks, Finley, White & Co.
BANKS, FINLEY, WHITE & CO.

Jackson, Mississippi
July 30, 2010

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Jackson, we offer readers of the City of Jackson's financial statements this narrative overview and analysis of the financial activities of the City of Jackson for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - viii of this report.

Financial Highlights

- The assets of the City of Jackson exceeded its liabilities at the close of the most recent fiscal year by \$430 million (*net assets*). Of this amount, there is \$50 million in unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$10 million.
- As of the close of the current fiscal year, the City of Jackson's governmental funds reported *combined* ending fund balances of \$63.5 million, an increase of \$7.2 million in comparison with the prior year. Approximately ninety (90) percent of this total amount is \$57 million (unreserved). \$25 million is available for spending at the government's discretion (*unreserved fund balance*) and \$32 million is available for special revenue funds and capital projects.
- At the end of the current fiscal year unreserved fund balance for the general fund was \$25 million, or 25.4 percent of total general fund expenditures.
- The City of Jackson's total debt increased by \$23.7 million (7.0 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Jackson's basic financial statements. The City of Jackson's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Jackson's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Jackson's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Jackson is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Jackson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Jackson include general government, public safety, public works, human & cultural services, employee benefits, and interest on long term debt. The business-type activities of the City of Jackson include water/sewer, transportation and sanitation.

The government-wide financial statements include the City of Jackson itself (known as the *primary government*), and a legally separate redevelopment authority and Capital City Convention Center Commission for which the City of Jackson is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Jackson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Jackson can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Jackson maintains fifteen (15) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Federal Grant Fund, Debt Service Fund, Improvement Fund, 1998 General Obligation Bond Fund, 2003 General Obligation Bond Fund, 2006 General Obligation Bond Fund, and 2009 General Obligation Bond Fund, all of which are considered to be major funds. Data from the other eleven (11) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Jackson adopts an annual budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 14-30 of this report.

Proprietary funds. The City of Jackson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Jackson uses enterprise funds to account for its Water/Sewage Disposal System Fund, Madison Sewage Disposal System Funds, Transportation Fund and Sanitation Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Jackson's various functions. The City of Jackson uses an Internal Service Fund to account for its Employee Group Health Benefit Fund. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water/Sewage Disposal System Fund and Sanitation Fund, both of which are considered to be major funds of the City of Jackson. Data from the other two (2) proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report. The Internal Service Fund is presented in the Proprietary Fund financial statements as governmental activities.

The basic proprietary fund financial statements can be found on pages 31-35 of this report.

Fiduciary funds. Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The function of the City's principal trust fund is discussed in Note 5.A.2. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. The purpose of the City's Agency Funds is to collect and remit to the related organizations the proceeds of a special sales tax received from the State.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 38-81 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Jackson's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 82 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major proprietary funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and individual fund statements and schedules can be found on pages 83-97 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$430 million at the close of September 30, 2009.

By far the largest portion of the City of Jackson's net assets (80 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Jackson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Jackson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Jackson's Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 161,256	\$ 162,867	\$ 94,803	\$ 103,109	\$ 256,059	\$ 265,976
Capital assets	282,027	265,192	345,141	341,163	627,168	606,355
Total assets	443,283	428,059	439,944	444,272	883,227	872,331
Long-term liabilities outstanding	184,046	156,154	182,594	185,716	366,640	341,870
Other Liabilities	78,625	83,296	7,598	6,836	86,223	90,132
Total Liabilities	262,671	239,450	190,192	192,552	452,863	432,002
Net assets:						
Invested in capital assets, net of related debt	180,628	197,359	163,408	156,309	344,036	353,668
Restricted	32,587	28,617	3,861	3,820	36,448	32,437
Unrestricted	(32,604)	(37,367)	82,482	91,591	49,878	54,224
Total net assets	\$ 180,611	\$ 188,609	\$ 249,751	\$ 251,720	\$ 430,362	\$ 440,329

The City of Jackson's total net assets decreased by \$10 million during the current fiscal year.

Governmental activities. Governmental activities decreased the City of Jackson's net assets by \$8 million.

CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Jackson's Changes in Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	\$ 12,202	\$ 11,866	\$ 52,651	\$ 59,847	\$ 64,853	\$ 71,713
Operating grants and contributions	16,681	18,436	694	2,365	17,375	20,801
Capital grants and contributions	6,188	7,912	1,741	-	7,929	7,912
General revenues:						
Property taxes	71,298	65,845	-	-	71,298	65,845
Sales taxes	33,598	37,298	-	-	33,598	37,298
Franchise taxes	9,234	9,062	-	-	9,234	9,062
Other	819	3,605	(521)	2,408	298	6,013
Total revenues	150,020	154,024	54,565	64,620	204,585	218,644
Expenses:						
General government	44,773	69,721	-	-	44,773	69,721
Public safety	55,993	53,664	-	-	55,993	53,664
Public works	31,517	25,301	-	-	31,517	25,301
Human and cultural services	14,170	14,890	-	-	14,170	14,890
Employee benefits	2,149	1,765	-	-	2,149	1,765
Interest on long-term debt	5,389	5,917	-	-	5,389	5,917
Water/Sewer	-	-	42,275	45,279	42,275	45,279
Nonmajor	-	-	7,990	7,685	7,990	7,685
Sanitation	-	-	10,296	10,299	10,296	10,299
Total expenses	153,991	171,258	60,561	63,263	214,552	234,521
Increase in net assets before transfers	(3,971)	(17,234)	(5,996)	1,357	(9,967)	(15,877)
Transfers	(4,027)	(4,613)	4,027	4,613	-	-
Increase in net assets	(7,998)	(21,847)	(1,969)	5,970	(9,967)	(15,877)
Net assets - October 1, 2008	188,609	226,383	251,720	245,750	440,329	472,133
Prior period adjustment	-	(15,927)	-	-	-	(15,927)
Net assets - September 30, 2009	\$ 180,611	\$ 188,609	\$ 249,751	\$ 251,720	\$ 430,362	\$ 440,329

In FY 2007, the City issued \$65 million in General Obligation Bonds on behalf of the Capital City Convention Center Commission to construct the Convention Center. A special sales tax levy was established to pay the debt service for the bonds. The bonds couldn't be issued as revenue bonds because of the uncertainty of the sales tax collections; therefore, the bonds were issued as GO Bonds of the City with full, faith and credit of the City. The asset (the Convention Center facility) is the property of the Capital City Convention Commission and recorded on the books of the Commission, but the liability (the bonds to construct the Convention Center) is on the books of the City.

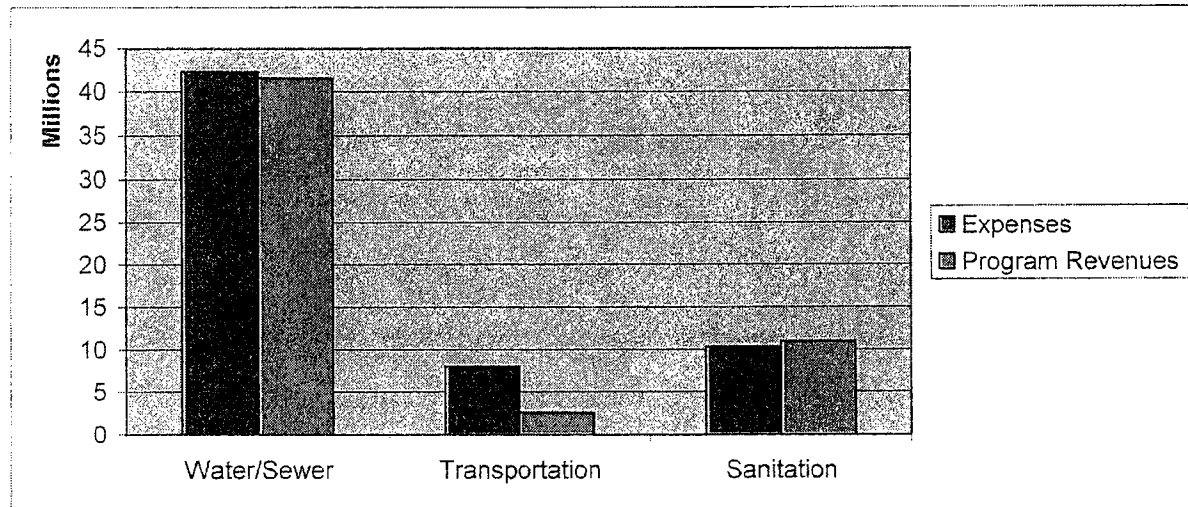
In prior years, the City had not presented the asset resulting from the 1997 contribution of bond proceeds to fund the actuarial accrued liability for the MRS plan. In 2007, pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the City calculated its net pension obligation. In adopting GASB Statement No. 27, the City has increased net assets – beginning of year in the government wide financial statements of governmental activities by \$25.6 million to recognize the net pension asset calculated under GASB Statement No. 27.

CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

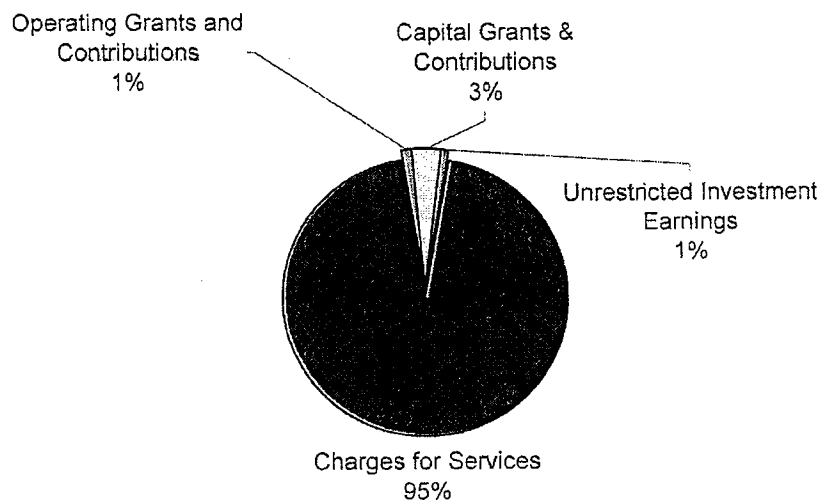
Governmental funds. The focus of the City of Jackson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Jackson's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Business-type activities. Business-type activities decreased the City of Jackson's net assets by \$2 million. This decrease is primarily in the Water Sewer fund due to capital assets sold at a loss.

Expenses and Program Revenues--Business--Type Activities

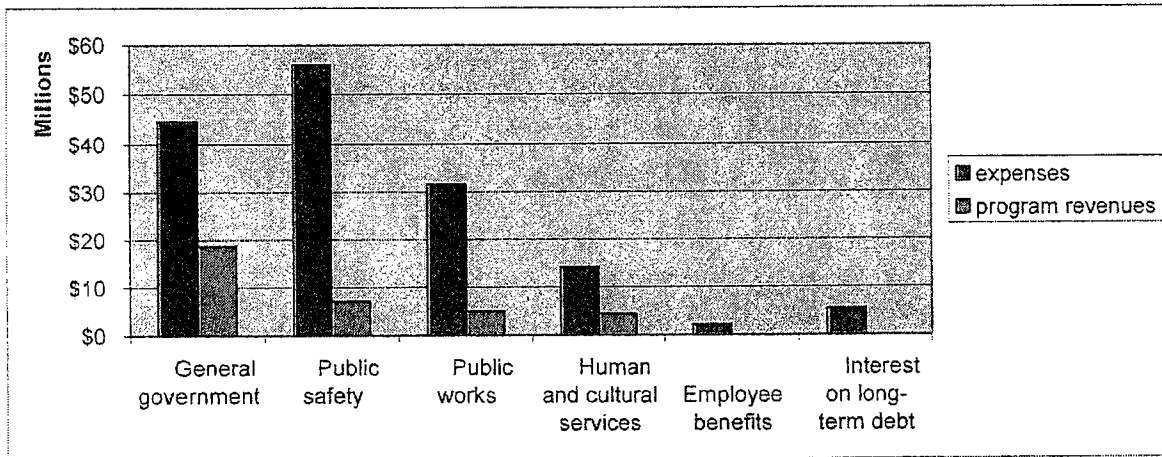


Revenues by Source- Business - Type Activities

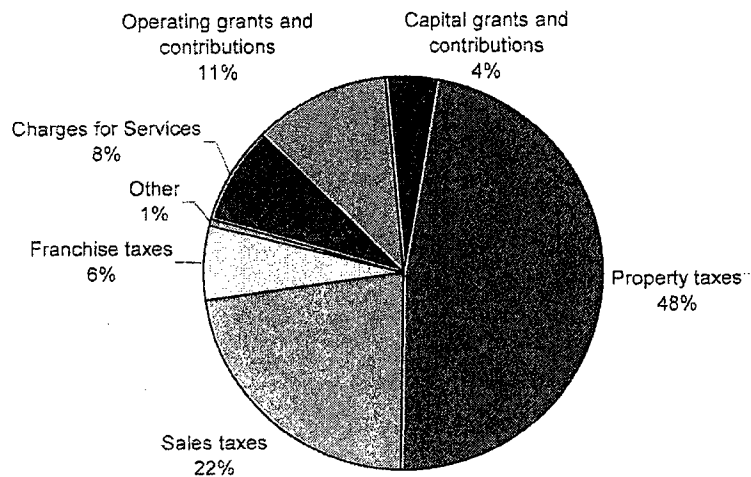


CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses and Program Revenues – Governmental Activities



Revenues by source – Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Jackson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the end of the current fiscal year, the City of Jackson's governmental funds reported combined ending fund balances of \$63.5 million, an increase of \$7.2 million in comparison with the prior year. Ninety (90) percent of this total amount is \$57 million of which \$25 million is available for spending at the government's discretion (*unreserved fund balance*) and \$32 million is available for special revenue funds and capital projects. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to pay debt service (\$2.5 million), 2) State tort claims (\$2.8 million), or 3) for other restricted purposes (\$1.3 million).

The general fund is the chief operating fund of the City of Jackson. At the end of the current fiscal year, unreserved fund balance of the general fund was \$25 million, while total fund balance reached \$29 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25.4 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

During the current fiscal year, the fund balance of the City of Jackson's general fund increased by \$4,222,112. The decrease in fund balance for the federal grant fund (\$90,406) is for a variety of restricted purposes. The debt service fund has a total fund balance increase of (\$109,769) which is partially revenue from property taxes and the payment of debt. The decrease in fund balance for the improvement fund (\$269,753) is to liquidate contracts and purchase orders. The reduction in fund balances for the 1998 GO Bond (\$34,127) and the 2003 GO Bond (\$1,363,863) is the natural spend down of bond proceeds. The reduction in fund balance for the 2006 GO Bond (\$10,430,188) is for the construction of the Capital City Convention Center. The 2009 GO Bond had a fund balance increase of \$15,739,533 due to new indebtedness incurred during the year.

The debt service fund has a total fund balance of \$2.5 million, all of which is reserved for the payment of debt service.

Proprietary funds. The City of Jackson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water/Sewage Disposal System Fund at the end of the year amounted to \$79.2 million. The decrease in net assets for the Water/Sewage Disposal System Fund was \$1.4 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget expenditures were \$.3 million decrease and can be briefly summarized as follows:

- \$1.3 million increase in capital outlay
- \$.5 million decrease in contract services and charges
- \$1.3 million decrease in personnel services
- \$.2 million increase in supplies and materials

Significant budgetary expenditure variances between the final amended budget and actual results are as follows:

- Actual personnel services for all city departments was \$1.8 million less than the final budget.
- Actual capital outlay for all city departments was \$.3 million less than the final budget.
- Actual contractual services and charges throughout all city departments was \$4.7 million less than the final budget.
- Actual supplies and materials for all city departments was \$.6 million less than the final budget.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The City of Jackson's investment in capital assets for its governmental and business type activities as of September 30, 2009, amounts to \$627 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the City of Jackson's investment in capital assets for the current fiscal year was 1% (a .009% change for governmental activities and a 1% increase in business activities).

Major capital asset events during the current fiscal year included the following:

- The increase in total net assets was the continued expenditure of prior bond issue proceeds for expansion and replacement of infrastructure.

City of Jackson's Capital Assets (net of depreciation) (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 14,528	\$ 14,522	\$ 1,838	\$ 1,838	\$ 16,366	\$ 16,360
Building & systems	59,076	60,541	46,716	50,429	105,792	110,970
Machinery and equipment	9,665	8,312	14,110	13,240	23,775	21,552
Infrastructure	126,446	131,208	151,746	159,236	278,192	290,444
Construction in progress	72,312	50,609	130,731	116,420	203,043	167,029
Total	\$ 282,027	\$ 265,192	\$ 345,141	\$ 341,163	\$ 627,168	\$ 606,355

Additional information on the City of Jackson's capital assets can be found in Note 4 on pages 55-57 of this report.

Long-term debt. At the end of the current fiscal year, the City of Jackson had total bonded debt outstanding of \$295 million. Of this amount, \$139 million comprises debt backed by the full faith and credit of the City. The remainder of the City of Jackson's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Jackson's Outstanding Debt General Obligation and Revenue Bonds and Other Loans (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 134,610	\$ 112,535	\$ -	\$ -	\$ 134,610	\$ 112,535
Revenue bonds	-	-	155,830	161,345	155,830	161,345
Tax increment bonds	4,522	2,270	-	-	4,522	2,270
Special obligation bonds	-	6,430	-	-	-	6,430
Loans, notes and leases	23,956	15,154	22,732	20,224	46,688	35,378
Total	\$ 163,088	\$ 136,389	\$ 178,562	\$ 181,569	\$ 341,650	\$ 317,958

The City of Jackson's total debt increased by \$23.7 million during the current fiscal year.

CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

The bond ratings services from Standard & Poor's and Moody's establish that bonds marketed by the City have favorable investment qualities. Presently, the city has the following ratings:

	<u>Moody's</u>	<u>Standard & Poor's</u>
Revenue	A1	A+
General Obligation Bonds	A1	AA-
Urban Renewal Revenue Bonds	A2	A

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent and 20 percent of its total assessed valuation. The current debt limitation for the City of Jackson under the 15% rule is \$101 million in excess of the City of Jackson's outstanding general obligation debt.

Additional information on the City of Jackson's long-term debt can be found in Note 4 on pages 61-72 of this report.

Economic Factors and Next Year's Budgets and Rates

- Major revenues sources are expected to remain basically at existing levels with the exception of sales tax which is expected to decrease as a result of economic conditions.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Jackson's budget for the 2010 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased \$4.2 million.

Requests for Information

This financial report is designed to provide a general overview of the City of Jackson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Administration, Office of the Director, P.O. Box 17, Jackson, MS, 39205-0017.

City of Jackson
Statement of Net Assets
As of September 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Jackson Redevelopment Authority	Capital City Convention Center Commission
ASSETS					
Cash and cash equivalents	\$ 59,698,532	\$ 18,830,514	\$ 78,529,046	\$ 2,046,264	\$ 7,179,669
Investments	6,018,140	-	6,018,140	-	498,521
Accounts receivable, net	13,635	19,004,240	19,017,875	-	-
Other receivable	73,422,634	110,589	73,533,223	1,582,451	885,807
Intergovernmental receivable	3,562,999	1,982,991	5,545,990	-	-
Internal balances	2,960,061	(2,960,061)	-	(22,000)	-
Inventories	1,326,666	1,939,636	3,266,302	-	52,778
Prepaid Expenses	-	-	-	1,668	161,436
Net pension asset	13,790,651	-	13,790,651	-	-
Restricted assets:					
Cash and cash equivalents	-	51,808,037	51,808,037	97,731	-
Investments	-	2,042,340	2,042,340	-	-
Deferred charges	462,825	2,044,494	2,507,319	78,929	-
Capital assets:					
Land	14,528,418	1,837,999	16,366,417	6,213,466	5,740,313
Buildings	59,076,008	46,715,836	105,791,844	33,118,075	77,744,846
Automotive and equipment	9,664,777	14,109,774	23,774,551	-	4,092,234
Infrastructure	126,445,692	151,746,356	278,192,048	-	-
Construction in Progress	72,311,748	130,730,544	203,042,292	-	-
Total assets	443,282,786	439,943,289	883,226,075	43,116,584	96,355,604
LIABILITIES					
Liabilities:					
Accounts Payable	7,979,653	3,737,658	11,717,311	135,908	654,293
Accrued interest payable	441,757	-	441,757	150,832	-
Unearned revenue	66,550,369	-	66,550,369	105,000	384,627
Liabilities payable from restricted assets	-	3,860,805	3,860,805	10,415	-
Other liabilities	3,654,041	-	3,654,041	22,682	119,964
Noncurrent liabilities:					
Net other postemployment benefits	5,766,360	861,640	6,628,000	-	-
Due within one year	12,026,085	10,612,279	22,638,364	3,264,000	-
Due in more than one year	166,253,109	171,119,821	337,372,930	8,971,293	400,130
Total liabilities	262,671,374	190,192,203	452,863,577	12,660,130	1,559,014
NET ASSETS					
Invested in capital assets, net of related debt	180,628,490	163,408,409	344,036,899	27,518,004	87,177,263
Restricted for:					
Debt service	2,470,632	3,860,805	6,331,437	-	-
Capital projects	21,803,077	-	21,803,077	-	-
Other purposes	2,806,577	-	2,806,577	-	-
Capital City Convention Center	5,506,536	-	5,506,536	-	6,726,026
Unrestricted	(32,603,900)	82,481,872	49,877,972	2,938,450	893,301
Total net assets	\$ 180,611,412	\$ 249,751,086	\$ 430,362,498	\$ 30,456,454	\$ 94,796,590

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Activities
For the year ended September 30, 2009

	Net (Expenses) Revenues and Changes in Net Assets					
	Primary Government			Component Unit		
	Operating	Capital		Jackson Redevelopment Authority	Capital City Convention Center Commission	
	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 44,772,791	\$ 6,333,579	\$ 9,240,380	\$ (26,155,405)	\$ (26,155,405)	\$ -
Public safety	55,992,946	2,823,924	4,271,921	(48,897,101)	(48,897,101)	-
Public works	31,517,710	1,469,125	373,754	(26,530,641)	(26,530,641)	-
Human and cultural services	14,169,804	1,575,447	2,795,400	(9,798,957)	(9,798,957)	-
Employee benefits	2,148,942	-	-	(2,148,942)	(2,148,942)	-
Interest on long-term debt	5,388,919	-	-	(5,388,919)	(5,388,919)	-
Total governmental activities	153,991,112	12,202,075	16,681,455	(118,919,965)	(118,919,965)	-
Business-type activities:						
Water/Sewer	42,274,804	41,439,792	88,080	-	(746,932)	-
Nonmajor	7,990,059	360,476	480,000	-	(5,408,634)	-
Sanitation	10,296,123	10,850,397	125,507	-	679,781	-
Total business-type activities	60,560,986	52,650,665	693,587	-	(5,475,785)	-
Total primary government	\$ 214,552,098	\$ 64,852,740	\$ 17,375,042	\$ (118,919,965)	\$ (124,395,750)	\$ -
Component units:						
Jackson Redevelopment Authority	\$ 3,828,224	\$ 1,547,377	\$ 1,798,870	\$ -	\$ 816,302	\$ -
Capital City Convention Center Commission	5,794,279	1,405,074	16,577,812	-	-	29,599,624
Total component units	\$ 9,622,503	\$ 2,952,451	\$ 18,376,682	\$ -	\$ 816,302	\$ 29,599,624
General revenues:						
Property taxes				71,297,898	-	-
Sales taxes				33,598,017	-	1,648,229
Franchise taxes				9,234,495	-	-
Grants and contributions not restricted to specific programs				-	-	-
Unrestricted investment earnings				616,178	811,671	135,046
Gain (loss) on sale of capital assets				-	(1,332,294)	-
Miscellaneous				203,081	203,081	(33,067)
Transfers				(4,027,402)	4,027,402	-
Total general revenues and transfers				110,922,267	3,506,779	1,750,208
Change in net assets				(7,997,698)	(1,969,006)	31,349,832
Net assets - beginning of year as previously reported				188,609,110	251,720,092	62,750,010
Prior period adjustment				-	-	696,748
Net assets - beginning of year as adjusted				188,609,110	251,720,092	63,446,758
Net assets - ending				\$ 180,611,412	\$ 249,751,086	\$ 94,796,590

The notes to the financial statements are an integral part of this statement.

City of Jackson
Balance Sheet
Governmental Funds
As of September 30, 2009

ASSETS

	General Fund	Federal Grant	Debt Service	Improvement Fund	1998 GO Bond	2003 GO Bond	2006 GO Bond	2009 GO Bond	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 24,894,996	\$	\$ 2,522,768	\$ 3,814,500	\$ 1,296,718	\$ 5,575,214	\$ 5,505,707	\$12,575,399	\$ 1,596,863	\$ 57,959,111
Investments	-	176,946	-	-	-	-	-	6,018,140	-	6,018,140
Other receivable	55,217,344	16,356	7,683,648	-	-	-	829	3,854	8,696,515	71,618,546
Intergovernmental receivable	539,955	2,480,543	-	-	-	542,501	-	-	-	3,562,999
Special assessment receivable	-	-	143,478	-	-	-	-	-	-	143,478
Due from other funds	3,173,561	-	-	-	-	-	-	-	-	3,173,561
Inventories	1,326,666	-	-	-	-	-	-	-	-	1,326,666
Total assets	\$ 85,152,522	\$ 2,673,845	\$ 10,349,894	\$ 3,814,500	\$ 1,296,718	\$ 6,117,715	\$ 5,506,536	\$18,597,393	\$ 10,293,378	\$ 143,802,501

LIABILITIES AND FUND BALANCES

Liabilities:										
Accounts payable	\$ 1,562,447	\$ 721,522	\$ 1,223	\$ 475,079	\$ 21,134	\$ 675,682	\$	\$ 2,869,033	\$ 46,224	\$ 6,372,344
Contracts and Retainage Payable	-	13,115	-	74,084	-	47,046	-	706,723	-	840,968
Due to other funds	-	213,500	-	-	-	-	-	-	-	213,500
Deferred revenue	52,109,798	561,526	7,825,929	-	-	-	-	-	8,678,705	69,175,958
Other liabilities	2,449,798	738,710	52,110	380,984	-	-	-	-	12,439	3,654,041
Total liabilities	56,122,043	2,268,373	7,879,262	930,147	21,134	722,728	-	3,575,756	8,737,368	80,256,811

Fund Balances

Reserved for:										
Inventories	1,326,666	-	-	-	-	-	-	-	-	1,326,666
State tort claims	2,806,577	-	-	-	-	-	-	-	-	2,806,577
Debt service	-	-	2,470,632	-	-	-	-	-	-	2,470,632
Unreserved, reported in										
General fund	24,897,236	-	-	-	-	-	-	-	-	24,897,236
Special revenue funds	-	405,472	-	2,884,353	-	-	-	-	1,445,141	4,734,966
Capital projects funds	-	-	-	-	1,275,584	5,394,987	5,506,536	15,021,637	110,869	27,309,613
Total fund balances	29,030,479	405,472	2,470,632	2,884,353	1,275,584	5,394,987	5,506,536	15,021,637	1,556,010	63,545,690
Total liabilities and fund balances	\$ 85,152,522	\$ 2,673,845	\$ 10,349,894	\$ 3,814,500	\$ 1,296,718	\$ 6,117,715	\$ 5,506,536	\$18,597,393	\$ 10,293,378	\$ 143,802,501

The notes to the financial statements are an integral part of this statement.

City of Jackson
Reconciliation of Balance Sheet - Governmental Funds
To the Statement of Net Assets
September 30, 2009

Amount reported for governmental activities in the statement
of net assets are different because:

Total fund balances - governmental funds	\$ 63,545,690
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	282,026,643
Net pension assets recorded in governmental activities that are not a financial resource and therefore are not reported in the governmental funds	13,790,651
Internal service fund is used to account for the group benefit plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	986,715
Receivable recognized on the full accrual basis for the government-wide statements but not on the fund statements	1,804,088
Revenues that were earned but unavailable to the city and recorded as unearned in the fund statements	2,482,111
Net other postemployment benefit recorded in governmental activities that are not a financial resource and therefore are not reported in the governmental funds	(5,766,360)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and loans payable, net of refunding gains, premium and discounts	(153,918,791)
Deferred bond issuance costs	462,825
Accrued interest on long-term debt	(441,757)
Capital leases	(13,041,179)
Annual and sick leave	(4,315,783)
Claims payable	(2,616,890)
Workers' Compensation Benefits	(4,389,677)
Other	3,126
Net assets of governmental activities	\$ <u><u>180,611,412</u></u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009

	General Fund	Federal Grant	Debt Service	Improvement Fund	1998 GO Bond	2003 GO Bond	2006 GO Bond	2009 GO Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES										
General property taxes	\$ 53,255,715	\$ -	\$ 6,354,736	\$ 905,659	\$ -	\$ -	\$ -	\$ -	\$ 8,799,174	\$ 69,315,284
Licenses and permits	3,453,116	-	-	-	-	-	-	-	-	3,453,116
Intergovernmental	36,816,366	11,827,108	3,202,552	41,683	75,000	3,056,678	-	-	478,211	55,497,598
Fines and forfeitures	4,244,759	-	-	-	-	-	-	-	-	4,244,759
Special assessments	-	-	19,587	-	-	-	-	-	-	19,587
Admissions, fees, rentals and concessions	3,066,869	-	-	-	-	-	-	-	257,144	3,324,013
Interest	98,969	4,863	13,744	16,007	5,802	27,737	113,182	325,113	10,759	616,176
Other	12,654,651	253,936	62,047	519,810	-	-	-	-	35,373	13,525,817
Total revenues	113,590,445	12,085,907	9,652,666	1,483,159	80,802	3,084,415	113,182	325,113	9,580,661	149,996,350
EXPENDITURES										
Current:										
General government	22,331,831	5,926,455	-	-	-	-	10,543,370	-	45,415	38,847,071
Public safety	52,816,655	334,665	-	-	-	-	-	-	63,209	53,214,529
Public works	10,425,868	1,286,213	-	6,455,885	114,929	4,448,278	-	11,583,763	2,427,389	36,742,325
Human and Cultural services	3,476,137	3,547,874	-	-	-	-	-	-	5,274,969	12,298,980
Employee benefits	2,006,486	-	-	-	-	-	-	-	142,456	2,148,942
Miscellaneous	503,505	-	-	-	-	-	-	-	-	503,505
Debt Service:										
Principal	33,952	-	4,265,000	-	-	-	-	-	6,430,000	10,730,952
Interest and service charges	15,362	-	5,295,268	-	-	-	-	-	478,562	5,789,192
Capital outlay:										
General government	582,779	6,469,136	-	-	-	-	-	-	18,898	7,070,813
Public works	1,371,094	-	-	-	-	-	-	-	137,470	1,508,564
Public safety	4,048,081	2,329,392	-	-	-	-	-	-	45,698	6,423,171
Human and Cultural services	292,424	16,398	-	-	-	-	-	-	-	308,822
Total expenditures	97,906,174	19,910,133	9,560,268	6,455,885	114,929	4,448,278	10,543,370	11,583,763	15,064,066	175,586,866
Excess (deficiency) of revenues over (under) expenditures	15,684,271	(7,824,226)	92,398	(4,972,726)	(34,127)	(1,363,863)	(10,430,188)	(11,258,650)	(5,483,405)	(25,590,516)
OTHER FINANCING SOURCES (USES)										
Transfers in	500,000	733,890	17,371	3,127,243	-	-	-	-	3,202,788	7,581,292
Transfers out	(14,956,538)	-	-	(500,000)	-	-	-	-	(17,371)	(15,473,909)
Payments to escrow agent	-	-	-	-	-	-	-	(358,958)	-	(358,958)
Capital leases	-	-	-	-	-	-	-	-	-	-
Proceeds of long-term debt	2,994,379	6,999,930	-	2,075,730	-	-	-	-	-	12,070,039
Issuance of GO Bonds	-	-	-	-	-	-	-	26,210,000	-	26,210,000
Proceeds of tax increment bonds	-	-	-	-	-	-	-	-	2,382,000	2,382,000
Premium on GO bond issuance	-	-	-	-	-	-	-	429,245	-	429,245
Total other financing sources (uses)	(11,462,159)	7,733,820	17,371	4,702,973	-	-	-	26,280,287	5,567,417	32,839,709
Net change in fund balances	4,222,112	(90,406)	109,769	(269,753)	(34,127)	(1,363,863)	(10,430,188)	15,021,637	84,012	7,249,193
Fund balances at beginning of year	24,808,367	495,878	2,360,863	3,154,106	1,309,711	6,758,850	15,936,724	-	1,471,998	56,296,497
Fund balances at end of year	\$ 29,030,479	\$ 405,472	\$ 2,470,632	\$ 2,884,353	\$ 1,275,584	\$ 5,394,987	\$ 5,506,536	\$ 15,021,637	\$ 1,556,010	\$ 63,545,690

The notes to the financial statements are an integral part of this statement.

City of Jackson
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances -- total governmental funds	\$ 7,249,193
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	16,834,849
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to Governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	11,331,143
Activities from debt related transactions	
New capital lease proceeds reported in the fund statements	(2,994,379)
Retirement of prior leases	2,980,461
Bond proceeds recorded in the fund statements	(37,667,730)
Premium on debt issuance	(429,245)
Bond issuance costs	(358,958)
Amortization of deferred bond issuance cost	(17,142)
Decrease in net pension asset reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds	(4,981,034)
Expenses reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds	(556,890)
Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements	24,461
Internal service fund net activity not reported on the governmental fund statement	<u>587,573</u>
Change in the net assets of governmental activities	<u>\$ (7,997,698)</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	Budget Amount		Actual Amounts	Variance with Final Budget- positive(negative)
	Original	Final		
Revenues:				-
General property taxes				
Current realty taxes	\$ 32,014,432	\$ 31,890,667	\$ 31,890,667	\$ -
Current personal taxes	12,742,095	13,107,993	13,117,580	9,587
Ad valorem taxes on automobiles	6,928,784	6,706,331	6,706,331	-
Delinquent taxes	120,000	284,143	285,518	1,375
Interest on current taxes	350,000	330,653	330,653	-
Interest on delinquent taxes	240,000	738,448	738,447	(1)
Community improvement	127,000	187,256	186,519	(737)
Total general property taxes	52,522,311	53,245,491	53,255,715	10,224
Licenses and permits				
Privilege licenses	350,250	389,507	390,629	1,122
Building permits	777,967	1,080,000	1,096,256	16,256
Air conditioning and duct permits	30,000	83,000	83,027	27
Plumbing permits	50,000	78,000	76,931	(1,069)
Electric permits	140,000	260,000	260,090	90
Gas Permits	85,000	86,000	80,872	(5,128)
Historic preservation application	1,000	1,000	1,756	756
Landscape permits	2,000	1,000	255	(745)
Dance hall and other recreational fees	7,500	7,500	6,550	(950)
Landfill charges	1,210,000	1,316,045	1,316,045	-
Taxicab license fees	2,000	2,000	1,590	(410)
Sign permits	35,200	55,825	55,756	(69)
Zoning permits	37,000	26,000	25,284	(716)
Combustible and flammable liquid permits	13,000	12,195	2,915	(9,280)
Fireworks Display Permit	500	500	150	(350)
Aircraft registration	6,000	5,000	4,909	(91)
Transit Merchants-Peddlers License	5,000	5,800	5,800	-
Boarding, Lodging-Licenses	1,000	1,000	695	(305)
Adult entertainment-and License	15,000	28,000	30,940	2,940
Special event fee	12,000	1,500	1,395	(105)
Fire inspection permit	-	-	8,795	8,795
Annual vehicle inspection	-	2,400	2,476	76
Total licenses and permits	2,780,417	3,442,272	3,453,116	10,844

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>positive(negative)</u>
Revenues (Continued):				
Intergovernmental Revenues:				
State Grants and Shared Revenues:				
Alcohol permits	\$ 300,000	\$ 300,000	\$ 274,050	\$ (25,950)
Gasoline Tax	31,146	31,146	31,144	(2)
Municipal revolving fund	96,040	96,040	96,040	-
State fire protection	954,301	973,635	973,635	-
Sales tax	35,450,374	32,224,162	32,301,001	76,839
Bus & truck privilege tax	525,000	525,000	497,694	(27,306)
Wireless radio communication program	20,000	20,000	135,280	115,280
Historic Preservation			9,567	9,567
Jackson Convention & Visitors	10,000	-	-	-
MS-Domestic Violence Grant	56,419	56,419	8,627	(47,792)
Homestead exemption	1,266,000	1,493,227	1,493,227	-
Total state grants shared revenues	38,709,280	35,719,629	35,820,265	100,636
Federal and State Grants and Shared Revenues:				
HITDA Grant	75,000	40,000	44,198	4,198
COPS- Universal Hire	276,948	276,948	263,233	(13,715)
Dept of Justice-Weed & Seed	220,000	611	-	(611)
MDOT Summer Youth reimbursement	35,000	35,000	22,591	(12,409)
MDOT Litter Pick Up	10,000	16,549	16,549	-
FEMA/MEMA Disaster	241,883	130,000	179,935	49,935
Other shared revenue	81,300	32,000	51,073	19,073
Total federal and state shared revenues	940,131	531,108	577,579	46,471
County Revenues:				
Pro rata road tax	920,000	398,098	398,098	-
Smith Robertson Museum	18,000	18,000	8,977	(9,023)
Street Resurfacing	10,000	10,000	5,655	(4,345)
Hinds County	10,000	5,792	5,792	-
Total county revenue	958,000	431,890	418,522	(13,368)
Total intergovernmental revenues	40,607,411	36,682,627	36,816,366	133,739
Fines and Forfeitures:				
Court & misdemeanor fines	1,699,710	1,000,000	952,465	(47,535)
Vehicle parking fines	200,000	200,000	145,132	(54,868)
Moving traffic violations	1,400,000	1,200,000	1,200,787	787
City court costs	25,000	25,000	18,836	(6,164)
Bad check fee and Warrant fee	177,000	177,500	147,815	(29,685)
Animal control citations	1,000	1,000	718	(282)
Municipal court computer	20,000	20,000	20,151	151
Municipal court drivers impr fee	25,000	25,000	19,260	(5,740)
Expungement fee	6,000	7,000	7,150	150
Jackson collection fee	100,000	100,000	92,132	(7,868)
Miscellaneous Court Docket fee	110,000	110,000	107,828	(2,172)
Dropped charge fee	5,000	5,000	5,225	225
Cash bond - clearing account	40,000	60,000	53,722	(6,278)
Rearraignment fee	15,000	21,000	20,600	(400)
Daily storage fee-vehicle	42,500	42,500	34,340	(8,160)
Administrative fee - del cases	225,000	290,000	295,524	5,524
Parking - Boot fee	500	500	25	(475)
Contempt fee	10,000	77,000	79,691	2,691
Computerized Crime prevention	15,000	22,000	22,297	297
Municipal Court Enhancement fee	-	105,000	107,449	2,449
Jackson Enhancement fee	-	55,000	53,605	(1,395)
Drug court	2,000	2,000	375	(1,625)
Wrecker fees	115,000	115,000	96,970	(18,030)
Photo Enforcement fee	-	750,697	762,662	11,965
Total fines and forfeitures	4,233,710	4,411,197	4,244,759	(166,438)

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	Budget Amount		Actual Amounts	Variance with Final Budget- positive(negative)
	Original	Final		
Revenues (Continued):				
Admissions, Fees, Rentals and Concessions:				
Parking meters	\$ 152,000	\$ 152,000	\$ 153,080	\$ 1,080
Municipal Auditorium:				
Rentals	104,200	104,200	102,005	(2,195)
Concessions	3,000	3,000	2,106	(894)
Local record fee	6,000	6,000	5,268	(732)
Pistol Range rent	500	500	-	(500)
Outdoor adversting	15,000	14,555	10,972	(3,583)
Fire Water flow test fee	5,500	5,500	1,000	(4,500)
Fire Reports	8,500	8,500	9,500	1,000
Accident report fee	130,000	130,000	110,663	(19,337)
Background check fee	12,800	15,300	14,088	(1,212)
Bail bondsman applicant photo	200	750	750	-
Bail bondsman mug shot fee	200	200	225	25
Bail bondsman ID card	-	-	697	697
Fingerprinting	20,000	20,000	16,450	(3,550)
Verification of records	30,000	30,000	29,513	(487)
Fire sprinkler plans review	-	-	4,790	4,790
Rents & Royalties	15,000	15,000	10,990	(4,010)
Telecommunication Franchise Agreement	150,000	355,398	355,398	-
Tower Rentals	1,700,000	2,116,222	2,118,154	1,932
Taxicab Mugshot Fee	-	-	39	39
Arts Center:				
Admissions, rents and royalties	12,100	12,100	10,087	(2,013)
Community room rent	16,000	16,000	4,966	(11,034)
Concessions	500	500	259	(241)
Planetarium:				
Admissions,Discovery Shop, etc.	86,600	106,600	95,061	(11,539)
Senior Centers Reservation Fee	5,000	5,000	2,954	(2,046)
Smith Robertson Museum:				
Gift shop	100	100	1,485	1,385
Donations	2,500	2,500	1,272	(1,228)
Admissions, rental	6,500	6,500	5,097	(1,403)
Total admissions and rentals	<u>2,482,200</u>	<u>3,126,425</u>	<u>3,066,869</u>	<u>(59,556)</u>
Interest:				
Earned on investments	299,500	234,500	77,986	(156,514)
Earned on accounts	<u>170,332</u>	<u>105,332</u>	<u>20,983</u>	<u>(84,349)</u>
Total interest earned	<u>469,832</u>	<u>339,832</u>	<u>98,969</u>	<u>(240,863)</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	Budget Amount		Actual Amounts	Variance with Final Budget- positive(negative)
	Original	Final		
Revenues (Continued):				
Other Revenues:				
Public utility	\$ 5,040,000	\$ 5,190,797	\$ 5,190,797	\$ -
Franchise cable television	1,450,000	1,571,500	1,571,500	-
Water Sewer Franchise Fee	922,645	830,597	830,597	-
Nuclear power plant	1,635,134	1,635,134	1,630,143	(4,991)
In-lieu-of property tax	-	11,458	11,458	-
Sale of cemetery lots	20,000	28,000	26,475	(1,525)
Sale of fixed assets	352,050	267,396	-	(267,396)
Small animal control	3,000	6,000	5,984	(16)
Parking fee-City employees	7,000	7,500	7,002	(498)
Police	183,000	325,663	369,344	43,681
Indirect cost	2,357,913	2,357,913	2,030,495	(327,418)
Street index books	1,000	-	-	-
Sale of land	10,000	50,000	50,000	-
Hoerner Endowment	-	-	105,000	105,000
Mary Douglas Trust	-	-	20,000	20,000
Downtown Jackson Partners	-	-	25,000	25,000
Rabies vaccination	-	-	126	126
Electrical exam	100	100	275	175
Penalty on demo/grass/weeds	6,500	6,500	6,000	(500)
Cemeteries-openings/closings	25,000	25,000	21,450	(3,550)
Site plan review planning	15,000	15,000	10,244	(4,756)
Construction plan review	3,500	4,100	4,103	3
Building & Permit misc	125,000	125,000	115,276	(9,724)
Cafeteria plan-flexible spending	150,000	150,000	121,605	(28,395)
Administrative fee-payroll deductions	-	-	13,249	13,249
Sale of maps, plans, and specifications	3,500	1,500	1,468	(32)
Traffic	4,000	1,562	826	(736)
Legal/City Clerk/Finance and Management	27,000	40,000	16,751	(23,249)
Telecommunications	194,000	194,000	187,977	(6,023)
Fire Museum donations	5,000	1,100	1,100	-
Fire Department	1,000	1,000	1,260	260
Sale of CAFR, Budgets & Directories	-	-	5	5
I.D. Badge fee-city employee	500	700	705	5
Abstract fees	-	-	5,820	5,820
Settlement of insurance claim	-	45,225	45,300	75
P E G Revenue	34,200	14,200	4,946	(9,254)
Other	1,518,000	219,000	222,370	3,370
Total other revenues	14,094,042	13,125,945	12,654,651	(471,294)
Total revenues	117,189,923	114,373,789	113,590,445	(783,344)

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	Budget Amount		Actual	Variance with
	Original	Final	Amounts	Final Budget- positive(negative)
Expenditures:				
Current Operations:				
General Government				
Administration and Intra-governmental				
Personnel services	\$ 11,998,349	\$ 9,387,574	\$ 9,411,609	\$ (24,035)
Supplies	780,170	960,689	151,886	808,803
Other services and charges	20,631,863	20,863,502	6,339,125	14,524,377
Capital outlay	924,788	1,616,588	580,361	1,036,227
Total Department of Administration	34,335,170	32,828,353	16,482,981	16,345,372
Personnel				
Personnel services	1,192,162	1,114,558	1,007,230	107,328
Supplies	17,021	18,487	11,126	7,361
Other services and charges	812,214	576,334	356,578	219,756
Capital Outlay	2,200	1,174	436	738
Total Department of Personnel	2,023,597	1,710,553	1,375,370	335,183
Planning				
Personnel services	1,465,351	1,474,237	1,329,100	145,137
Supplies	65,814	69,314	36,483	32,831
Other services and charges	7,427,546	7,858,589	3,688,694	4,169,895
Capital Outlay	2,000	3,000	1,982	1,018
Total Department of Planning	8,960,711	9,405,140	5,056,259	4,348,881
Total General Government	45,319,478	43,944,046	22,914,610	21,029,436
Department of Human and Cultural Services				
Health and Welfare				
Personnel supplies	982,902	937,674	917,254	20,420
Supplies	25,124	21,074	13,516	7,558
Other services and charges	1,227,551	1,197,296	509,749	687,547
Capital outlay	263,086	282,086	279,488	2,598
Total Health and Welfare	2,498,663	2,438,130	1,720,007	718,123
Culture and Recreation				
Personnel services	683,288	624,754	577,401	47,353
Supplies	82,469	173,569	104,232	69,337
Other services and charges	1,365,885	1,412,530	1,353,985	58,545
Capital outlay	-	13,500	12,936	564
Total Culture and Recreation	2,131,642	2,224,353	2,048,554	175,799
Total Department of Human and Cultural Services	4,630,305	4,662,483	3,768,561	893,922
Department of Public Safety				
Personnel services	45,422,465	46,550,162	45,702,396	847,766
Supplies	3,234,080	3,114,596	2,811,139	303,457
Other services and charges	5,222,620	5,240,298	4,354,434	885,864
Capital outlay	5,313,009	5,097,333	4,048,081	1,049,252
Total Department of Public Safety	59,192,174	60,002,389	56,916,050	3,086,339

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	Budget Amount		Actual	Variance with
	Original	Final	Amounts	Final Budget- positive(negative)
Expenditures (Continued):				
Department of Public Works				
Personnel services	\$ 7,049,322	\$ 7,361,880	\$ 7,146,404	\$ 215,476
Supplies	1,385,733	1,439,918	1,296,585	143,333
Other services and charges	3,486,604	2,318,535	1,982,879	335,656
Capital outlay	539,710	1,394,238	1,371,094	23,144
Total Department of Public Works	12,461,369	12,514,571	11,796,962	717,609
Current Operations				
Miscellaneous				
Other services and charges	345,000	445,082	503,505	(58,423)
Total Miscellaneous	345,000	445,082	503,505	(58,423)
Employee Benefits				
Supplies	60,000	60,000	51,014	8,986
Other services and charges	1,960,599	2,105,599	1,955,472	150,127
Total Employee Benefits	2,020,599	2,165,599	2,006,486	159,113
Total expenditures	123,968,925	123,734,170	97,906,174	25,827,996
Excess(deficiency) of revenues over expenditures	(6,779,002)	(9,360,381)	15,684,271	(25,044,652)
Other Financing Sources(Uses)				
Transfers in	1,303,447	1,229,647	500,000	729,647
Transfers out	10,369,702	10,489,336	(14,956,538)	25,445,874
Proceeds from long term debt	2,402,228	2,994,379	2,994,379	-
Total other financing sources(uses)	14,075,377	14,713,362	(11,462,159)	26,175,521
Net change in fund balance	7,296,375	5,352,981	4,222,112	1,130,869
Fund balances at beginning of year	24,808,367	24,808,367	24,808,367	-
Fund balances at end of year	\$ 32,104,742	\$ 30,161,348	\$ 29,030,479	\$ 1,130,869

The notes to the financial statements are an ingral part of this statement.

City of Jackson
Federal Grants Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budget Amount</u>		<u>Actuals Amounts</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$21,163,489	\$ 32,909,437	\$ 11,827,108	\$ (21,082,329)
Interest	-	-	4,863	4,863
Other	208,620	271,813	253,936	(17,877)
Total revenues	<u>21,372,109</u>	<u>33,181,250</u>	<u>12,085,907</u>	<u>(21,095,343)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	5,510,666	5,073,813	3,855,681	1,218,132
Supplies	1,254,383	1,163,424	659,747	503,677
Other Services and Charges	12,840,666	17,827,510	6,579,780	11,247,730
Capital Outlay	3,030,502	10,375,139	8,814,925	1,560,214
Total expenditures	<u>22,636,217</u>	<u>34,439,886</u>	<u>19,910,133</u>	<u>14,529,753</u>
Excess (deficiency) of revenues over expenditures	<u>(1,264,108)</u>	<u>(1,258,636)</u>	<u>(7,824,226)</u>	<u>6,565,590</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	663,986	751,157	733,890	(17,267)
Special Revenue Funds	71,801	71,801	-	71,801
Proceeds from long-term debt	-	-	6,999,930	6,999,930
Total other financing sources (uses)	<u>735,787</u>	<u>822,958</u>	<u>7,733,820</u>	<u>6,910,862</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>(528,321)</u>	<u>(435,678)</u>	<u>(90,406)</u>	<u>345,272</u>
Fund balances at beginning of year	<u>495,878</u>	<u>495,878</u>	<u>495,878</u>	<u>-</u>
Fund balances at end of year	<u>\$ (32,443)</u>	<u>\$ 60,200</u>	<u>\$ 405,472</u>	<u>\$ 345,272</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
General property taxes				
Current realty taxes	\$ 3,563,982	\$ 3,943,462	\$ 3,943,461	\$ (1)
Current personal taxes	1,563,192	1,641,129	1,642,324	1,195
Delinquent taxes	54,000	41,269	41,269	-
Automobile ad valoren taxes	758,462	727,682	727,682	-
Homestead exemption	148,000	186,952	186,952	-
Interest	25,000	-	13,744	13,744
Special assessments	-	-	19,587	19,587
Other revenues	3,168,072	3,015,456	3,077,647	62,191
Total revenues	<u>9,280,708</u>	<u>9,555,950</u>	<u>9,652,666</u>	<u>96,716</u>
EXPENDITURES				
General obligation bonds				
Principal	4,430,000	4,430,000	4,265,000	165,000
Interest	5,379,225	2,364,766	5,285,223	(2,920,457)
Bank service charge	11,250	34,000	10,045	23,955
Total expenditures	<u>9,820,475</u>	<u>6,828,766</u>	<u>9,560,268</u>	<u>(2,731,502)</u>
Deficiency of revenues over (under) expenditures	(539,767)	2,727,184	92,398	2,634,786
OTHER FINANCING SOURCES (USES)				
Transfers in	227,845	-	-	-
Tilo 2007 Bond Fund	303,845	5,074,963	17,371	(5,057,592)
Total other financing sources (uses)	<u>531,690</u>	<u>5,074,963</u>	<u>17,371</u>	<u>(5,057,592)</u>
Net change in fund balances	(8,077)	7,802,147	109,769	7,692,378
Fund balances at beginning of year	<u>2,360,863</u>	<u>2,360,863</u>	<u>2,360,863</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,352,786</u>	<u>\$ 10,163,010</u>	<u>\$ 2,470,632</u>	<u>\$ 7,692,378</u>

City of Jackson
Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 1,070,000	\$ 1,070,000	\$ 905,659	\$ (164,341)
Intergovernmental Revenue	2,617,587	2,617,587	41,683	(2,575,904)
Interest	-	-	16,007	16,007
Other revenues	3,587,691	4,645,082	519,810	(4,125,272)
Total revenues	<u>7,275,278</u>	<u>8,332,669</u>	<u>1,483,159</u>	<u>(6,849,510)</u>
EXPENDITURES				
Current Operations				
Personnel services	-	-	1,300	(1,300)
Supplies	2,460,398	2,635,839	236,446	2,399,393
Other Services and Charges	8,822,663	12,195,114	6,218,139	5,976,975
Capital Outlay	3,196	3,207	-	3,207
Total expenditures	<u>11,286,257</u>	<u>14,834,160</u>	<u>6,455,885</u>	<u>8,378,275</u>
Deficiency of revenues over (under) expenditures	(4,010,979)	(6,501,491)	(4,972,726)	(1,528,765)
OTHER FINANCING SOURCES(USES)				
Transfers in	3,127,243	3,127,243	3,127,243	-
Transfers out	-	-	(500,000)	(500,000)
Proceeds from long term debt	-	-	2,075,730	(2,075,730)
Total other financing sources and uses	<u>3,127,243</u>	<u>3,127,243</u>	<u>4,702,973</u>	<u>(1,575,730)</u>
Net change in fund balances	<u>(883,736)</u>	<u>(3,374,248)</u>	<u>(269,753)</u>	<u>(3,104,495)</u>
Fund balances at beginning of year	<u>3,154,106</u>	<u>3,154,106</u>	<u>3,154,106</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,270,370</u>	<u>\$ (220,142)</u>	<u>\$ 2,884,353</u>	<u>\$ (3,104,495)</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
1998 GO Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive Negative
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental Revenue	\$ -	\$ 75,000	\$ 75,000	\$ -
Interest	<u>43,478</u>	<u>43,478</u>	<u>5,802</u>	<u>(37,676)</u>
Total revenues	<u>43,478</u>	<u>118,478</u>	<u>80,802</u>	<u>(37,676)</u>
EXPENDITURES				
Current Operations				
Supplies	4,256	4,256	-	4,256
Other services and charges	<u>1,355,954</u>	<u>1,503,954</u>	<u>114,929</u>	<u>1,389,025</u>
Total expenditures	<u>1,360,210</u>	<u>1,508,210</u>	<u>114,929</u>	<u>1,393,281</u>
Deficiency of revenues over (under) expenditures	<u>(1,316,732)</u>	<u>(1,389,732)</u>	<u>(34,127)</u>	<u>1,355,605</u>
Net change in fund balances	<u>(1,316,732)</u>	<u>(1,389,732)</u>	<u>(34,127)</u>	<u>1,355,605</u>
Fund balances at beginning of year	<u>1,309,711</u>	<u>1,309,711</u>	<u>1,309,711</u>	<u>-</u>
Fund balances at end of year	<u>\$ (7,021)</u>	<u>\$ (80,021)</u>	<u>\$1,275,584</u>	<u>\$ 1,355,605</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
2003 GO Public Improvement Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental Revenue	\$ 8,252,158	\$ 7,718,419	\$ 3,056,678	\$ (4,661,741)
Interest	200,000	100,000	27,737	(72,263)
Total revenues	<u>8,452,158</u>	<u>7,818,419</u>	<u>3,084,415</u>	<u>(4,734,004)</u>
EXPENDITURES				
Current Operations				
Personnel services	41,434	41,434	4,171	.37,263
Supplies	40,000	40,000	-	40,000
Other services and charges	<u>14,169,149</u>	<u>12,986,599</u>	<u>4,444,107</u>	<u>8,542,492</u>
Total expenditures	<u>14,250,583</u>	<u>13,068,033</u>	<u>4,448,278</u>	<u>8,619,755</u>
Deficiency of revenues over (under) expenditures	<u>(5,798,425)</u>	<u>(5,249,614)</u>	<u>(1,363,863)</u>	<u>3,885,751</u>
Net change in fund balances	<u>(5,798,425)</u>	<u>(5,249,614)</u>	<u>(1,363,863)</u>	<u>3,885,751</u>
Fund balances at beginning of year	<u>6,758,850</u>	<u>6,758,850</u>	<u>6,758,850</u>	-
Fund balances at end of year	<u>\$ 960,425</u>	<u>\$ 1,509,236</u>	<u>\$ 5,394,987</u>	<u>\$ 3,885,751</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
2006 GO Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	-	-	113,182	113,182
Total revenues	-	-	113,182	113,182
EXPENDITURES				
Current Operations				
Other services and charges	11,801,656	11,801,656	10,543,370	1,258,286
Total expenditures	11,801,656	11,801,656	10,543,370	1,258,286
Deficiency of revenues over (under) expenditures	(11,801,656)	(11,801,656)	(10,430,188)	1,371,468
Net change in fund balances	(11,801,656)	(11,801,656)	(10,430,188)	1,371,468
Fund balances at beginning of year	15,936,724	15,936,724	15,936,724	-
Fund balances at end of year	<u>\$ 4,135,068</u>	<u>\$ 4,135,068</u>	<u>\$ 5,506,536</u>	<u>\$ 1,371,468</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
2009 GO Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	-	-	325,113	325,113
Total revenues	-	-	325,113	325,113
EXPENDITURES				
Current Operations				
Other services and charges	-	-	11,583,763	(11,583,763)
Total expenditures	-	-	11,583,763	(11,583,763)
Deficiency of revenues over (under) expenditures	-	-	(11,258,650)	(11,258,650)
OTHER FINANCING SOURCES(USES)				
Transfers out	-	-	-	-
Payments to escrow agent	-	-	(358,958)	358,958
Issuance of GO Bonds			26,210,000	(26,210,000)
Premium on GO bond issuance	-	-	429,245	(429,245)
Total other financing sources and uses	-	-	26,280,287	(26,280,287)
Net change in fund balances	-	-	15,021,637	15,021,637
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,021,637</u>	<u>\$ 15,021,637</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Net Assets
Proprietary Funds
As of September 30, 2009

	Water/Sewage Disposal System	Sanitation	Nonmajor Enterprise Funds	Totals	Internal Service Fund
Assets					
Current Assets:					
Cash and cash equivalents	\$ 18,038,466	\$ 792,048	\$ -	\$ 18,830,514	\$ 1,739,421
Accounts receivable, less allowances	14,927,898	4,076,342	-	19,004,240	13,635
Intergovernmental receivables	-	-	1,982,991	1,982,991	-
Other receivables	110,589	-	-	110,589	-
Due from other funds	204,334	-	-	204,334	-
Restricted Assets					
Cash and cash equivalents	19,220,058	-	-	19,220,058	-
Inventories	1,939,636	-	-	1,939,636	-
Total Current Assets	<u>54,440,981</u>	<u>4,868,390</u>	<u>1,982,991</u>	<u>61,292,362</u>	<u>1,753,056</u>
Noncurrent Assets:					
Restricted Assets					
Cash and cash equivalents	32,587,979	-	-	32,587,979	-
Investments	2,042,340	-	-	2,042,340	-
Deferred charges - bond costs, net of amortization	<u>2,044,494</u>	<u>-</u>	<u>-</u>	<u>2,044,494</u>	<u>-</u>
Total Noncurrent Assets	<u>36,674,813</u>	<u>-</u>	<u>-</u>	<u>36,674,813</u>	<u>-</u>
Capital Assets:					
Property, plant and equipment, at cost					
Land	1,387,999	-	450,000	1,837,999	-
Buildings	117,639,977	68,042	186,007	117,894,026	-
Water plant, distribution system and equipment	258,406,280	-	907,182	259,313,462	-
Automotive and other equipment	<u>11,428,592</u>	<u>2,651,235</u>	<u>13,672,555</u>	<u>27,752,382</u>	<u>-</u>
	388,862,848	2,719,277	15,215,744	406,797,869	-
Less: accumulated depreciation	<u>(180,041,605)</u>	<u>(1,267,632)</u>	<u>(11,078,667)</u>	<u>(192,387,904)</u>	<u>-</u>
	208,821,243	1,451,645	4,137,077	214,409,965	-
Construction in Progress	<u>130,716,744</u>	<u>-</u>	<u>13,800</u>	<u>130,730,544</u>	<u>-</u>
Net property, plant and equipment	<u>339,537,987</u>	<u>1,451,645</u>	<u>4,150,877</u>	<u>345,140,509</u>	<u>-</u>
Total Assets	<u>\$ 430,653,781</u>	<u>\$ 6,320,035</u>	<u>\$ 6,133,868</u>	<u>\$ 443,107,684</u>	<u>\$ 1,753,056</u>

The notes to the financial statements are an integral part of this statement.

**City of Jackson
Statement of Net Assets
Proprietary Funds
As of September 30, 2009**

	Water/Sewage Disposal System	Sanitation	Nonmajor Enterprise Funds	Totals	Internal Service Fund
Liabilities and Fund Equity					
Current Liabilities Payable from Unrestricted Assets:					
Accounts/claims payable	\$ 3,035,986	\$ 244,459	\$ 196,548	\$ 3,476,993	\$ 766,341
Due to other funds	-	204,334	2,960,061	3,164,395	-
Compensated absences	435,479	8,898	66,488	510,865	-
Retainage payable	260,665	-	-	260,665	-
Customer deposits	3,860,805	-	-	3,860,805	-
Current portion of Long-Term Debt:					
Lease obligations	1,618,480	253,745	239,935	2,112,160	-
State Department of Environmental Quality	1,569,062	-	-	1,569,062	-
Total Current Liabilities Payable from Unrestricted Assets	10,780,477	711,436	3,463,032	14,954,945	766,341
Current Liabilities Payable from Restricted Assets:					
Revenue bonds	6,910,000	-	-	6,910,000	-
Total Current Liabilities Payable from Restricted Assets	6,910,000	-	-	6,910,000	-
Total Current Liabilities	17,690,477	711,436	3,463,032	21,864,945	766,341
Post Employment Benefits accrual	861,640	-	-	861,640	-
Long-Term Debt					
(less amounts classified as current liabilities):					
Revenue bonds	151,581,366	-	-	151,581,366	-
(net of unamortized discount/premium)					
Lease obligations	2,231,470	433,695	956,186	3,621,351	-
State Department of Environmental Quality	15,427,296	-	-	15,427,296	-
Total Long-Term Debt	170,101,772	433,695	956,186	171,491,653	-
Total Liabilities	187,792,249	1,145,131	4,419,218	193,356,598	766,341
Net Assets					
Invested in capital assets, net of related debt	159,764,834	755,307	2,888,268	163,408,409	-
Restricted for debt service	3,860,805	-	-	3,860,805	-
Unrestricted	79,235,893	4,419,597	(1,173,618)	82,481,872	986,715
Total Net Assets	242,861,532	5,174,904	1,714,650	249,751,086	986,715
Total liabilities and net assets	\$ 430,653,781	\$ 6,320,035	\$ 6,133,868	\$ 443,107,684	\$ 1,753,056

The notes in the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
As of September 30, 2009

	<u>Water/Sewage Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
Operating Revenues:					
Sales to customers	\$ 41,439,792	\$ 10,850,397	\$ 360,476	\$ 52,650,665	\$ -
Contributions	-	-	-	-	4,355,812
Contributions - City Match	-	-	-	-	2,775,325
Other revenues	88,080	125,507	480,000	693,587	218,037
Total Operating Revenues	<u>41,527,872</u>	<u>10,975,904</u>	<u>840,476</u>	<u>53,344,252</u>	<u>7,349,174</u>
Operating Expenses:					
Personnel services	9,329,969	1,129,930	236,959	10,696,858	-
Supplies	4,057,899	186,234	541,169	4,785,302	-
Other services and charges	14,884,923	8,739,168	6,381,231	30,005,322	10,632,362
Depreciation	8,077,193	240,791	830,700	9,148,684	-
Total operating expenses	<u>36,349,984</u>	<u>10,296,123</u>	<u>7,990,059</u>	<u>54,636,166</u>	<u>10,632,362</u>
Operating income (loss)	<u>5,177,888</u>	<u>679,781</u>	<u>(7,149,583)</u>	<u>(1,291,914)</u>	<u>(3,283,188)</u>
Nonoperating revenues (expenses):					
Interest revenue	810,275	664	732	811,671	5,546
Interest and service charges on long-term debt and capitalized lease obligations	(5,710,471)	-	-	(5,710,471)	-
Loss on sale of fixed assets	(1,332,294)	-	-	(1,332,294)	-
Amortization of bond issuance cost	(214,349)	-	-	(214,349)	-
Total nonoperating revenues (expenses)	<u>(6,446,839)</u>	<u>664</u>	<u>732</u>	<u>(6,445,443)</u>	<u>5,546</u>
Income (loss) before contributions and transfers	<u>(1,268,951)</u>	<u>680,445</u>	<u>(7,148,851)</u>	<u>(7,737,357)</u>	<u>(3,277,642)</u>
Capital contributions from grants	-	-	1,740,949	1,740,949	-
Transfers In:					
General Fund	-	-	4,027,402	4,027,402	3,865,215
Enterprise Fund	-	-	133,473	133,473	-
Transfers Out:					
Enterprise Fund	(133,473)	-	-	(133,473)	-
Total Transfers In (Out)	<u>(133,473)</u>	<u>-</u>	<u>4,160,875</u>	<u>4,027,402</u>	<u>3,865,215</u>
Change in Net Assets	<u>(1,402,424)</u>	<u>680,445</u>	<u>(1,247,027)</u>	<u>(1,969,006)</u>	<u>587,573</u>
Total net assets - beginning	<u>244,263,956</u>	<u>4,494,459</u>	<u>2,961,677</u>	<u>251,720,092</u>	<u>399,142</u>
Total net assets - ending	<u>\$ 242,861,532</u>	<u>\$ 5,174,904</u>	<u>\$ 1,714,650</u>	<u>\$ 249,751,086</u>	<u>\$ 986,715</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds
As of September 30, 2009

	Water/Sewer Disposal System	Sanitation	Nonmajor Enterprise Funds	Total	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 41,480,798	\$ 10,850,397	\$ 360,476	\$ 52,691,671	\$ 7,131,137
Receipts from other revenue	(902,638)	(244,254)	882,221	(264,671)	207,089
Payments to suppliers	(17,407,402)	(8,950,820)	(7,820,466)	(34,178,688)	(10,674,874)
Payments to employees	(9,329,969)	(1,129,930)	(236,959)	(10,696,858)	-
Net Cash provided by (used for)					
Operating Activities	13,840,789	525,393	(6,814,728)	7,551,454	(3,336,648)
Cash Flows from Noncapital Financing Activities					
Transfers In	-	-	4,160,875	4,160,875	3,865,215
Transfers Out	(133,473)	-	-	(133,473)	-
Net cash provided by noncapital financing activities	(133,473)	-	4,160,875	4,027,402	3,865,215
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(15,653,168)	(736,315)	(636,415)	(17,025,898)	-
Gain (loss) from sale of capital assets	(1,332,294)	-	771,442	(560,852)	-
Proceeds from capital debt	3,250,474	736,574	908,536	4,895,584	-
Principal paid on capital debt	(7,678,359)	(93,572)	(131,391)	(7,903,322)	-
Proceeds from capital contributions	-	-	1,740,949	1,740,949	-
Interest paid on capital debt	(7,666,322)	-	-	(7,666,322)	-
Net cash provided by (used for) capital and related financing activities	(29,079,669)	(93,313)	2,653,121	(26,519,861)	-
Cash Flow Provided by (Used for) Investing Activities:					
Disposal of capital assets	4,025,802	-	-	4,025,802	-
Purchase of investment securities	(9,037,314)	-	-	(9,037,314)	-
Proceeds from sale and maturities of investment securities	42,888,804	-	-	42,888,804	-
Interest on investments	810,275	664	732	811,671	5,546
Net Cash provided by investing activities	38,687,567	664	732	38,688,963	5,546
Net increase (decrease) in cash and cash equivalents	23,315,214	432,744	-	23,747,958	534,113
Cash and cash equivalents at beginning of year	46,531,289	359,304	-	46,890,593	1,205,308
Cash and cash equivalents at end of year	\$ 69,846,503	\$ 792,048	\$ -	\$ 70,638,551	\$ 1,739,421

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds
As of September 30, 2009

	<u>Water/Sewer Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss)	\$ 5,177,888	\$ 679,781	\$ (7,149,583)	\$ (1,291,914)	\$ (3,283,188)
Depreciation Expense	8,077,193	240,791	830,700	9,148,684	-
(Increase) decrease in accounts receivable, net	(1,451,027)	(369,761)	-	(1,820,788)	(10,948)
Increase (decrease) in inventories	82,848	-	-	82,848	-
(Increase) decrease in other receivable	395,309	-	402,222	797,531	-
(Increase) decrease in deferred charges	214,349	-	-	214,349	-
(Increase) decrease in due to other funds	-	(65,000)	-	(65,000)	-
Increase (decrease) in due from other funds	65,000	-	(1,071,381)	(1,006,381)	-
Increase (decrease) in accounts payable	802,744	30,684	106,826	940,254	(42,512)
Increase (decrease) in compensated absences	435,479	8,898	66,488	510,865	-
Increase (decrease) in customer deposits	41,006	-	-	41,006	-
Total adjustments	<u>8,662,901</u>	<u>(154,388)</u>	<u>334,855</u>	<u>8,843,368</u>	<u>(53,460)</u>
Net cash provided by (used for) operating activities	<u>\$ 13,840,789</u>	<u>\$ 525,393</u>	<u>\$ (6,814,728)</u>	<u>\$ 7,551,454</u>	<u>\$ (3,336,648)</u>
 Recap of cash and cash equivalents:					
Cash and cash equivalents	\$ 18,038,466	\$ 792,048	\$ -	\$ 18,830,514	\$ 1,739,421
Restricted cash and cash equivalents	<u>51,808,037</u>	<u>-</u>	<u>-</u>	<u>51,808,037</u>	<u>-</u>
	<u>\$ 69,846,503</u>	<u>\$ 792,048</u>	<u>\$ -</u>	<u>\$ 70,638,551</u>	<u>\$ 1,739,421</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF JACKSON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009**

	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 222,012	\$ 26,854
Investment at fair value:		
Certificate of deposit	<u>30,000</u>	<u>-</u>
Total assets	\$ <u>252,012</u>	\$ <u>26,854</u>
Liabilities and Net Assets		
Liabilities:		
Payables to others	\$ <u>-</u>	\$ <u>26,854</u>
Total liabilities	<u>-</u>	\$ <u>26,854</u>
Net Assets:		
Held in trust	<u>252,012</u>	
Total net assets	<u>252,012</u>	
Total liabilities and net assets	\$ <u>252,012</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF JACKSON
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009**

<u>Trust Funds</u>	
Additions:	
Interest	\$ 1,549
Other additions	<u>169,000</u>
Total additions	<u>\$ 170,549</u>
Deductions:	
General government	
Trust funds	\$ <u>141,752</u>
Total deductions	<u>141,752</u>
Change in Net Assets	28,797
Net assets at beginning of year	<u>223,215</u>
Net assets at end of year	<u>\$ <u>252,012</u></u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 - Summary of Significant Accounting Policies

A. REPORTING ENTITY

The City of Jackson, Mississippi (the City) is incorporated under the Laws of the State of Mississippi. The City operates under the Mayor-Council form of government with a full-time Mayor elected from the City at large and seven part-time Council members (City Council) elected from wards. The City's major operations include police and fire protection, parks and recreation, public works, public transit system, urban development and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City is discussed below.

In evaluating the City as a reporting entity, management has addressed potential component units for which the City may or may not be financially accountable and as such, be included within the City's financial statements. The component units discussed below are included because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Unit

Using the criteria above, management has determined that the Jackson Redevelopment Authority (JRA) and the Capital City Convention Center Commission should be reported as discretely presented component units of the City. The discretely presented component units are reported in separate columns in the government-wide statements to emphasize they are legally separate from the primary government. The following is a summary of the City's discretely presented component units.

The Jackson Redevelopment Authority (JRA) was established in 1968 under Section 43-35-1 through 235 of the Mississippi Code of 1942, as annotated. In 1970, JRA became the Parking Authority for the City under the same statute. The Mayor of the City makes appointments to a seven-member Board of Commissioners for staggered five-year terms to oversee the operations of JRA. Members may be removed from office for inefficiency, neglect of duty or misconduct in office. The City Council appropriates the administrative operating budget and must review and approve any amendments or budgetary adjustments. The City Council is responsible for designation of those urban renewal projects undertaken by JRA. The City makes annual contributions necessary to pay a portion of JRA's urban renewal bonds and has agreed to make payment of substantially all of the outstanding bonds. JRA operates on a September 30 fiscal year and its financial statement data is presented as a proprietary fund type. Complete financial statements for JRA may be obtained at its administrative office located at 218 South President Street, Jackson, Mississippi 39201.

The Capital City Convention Center Commission, a non-profit corporation, was authorized to be created by House Bill 1832 during the 2004 Regular Session of the Mississippi State Legislature. The entity is governed by nine commissioners. The Mayor of the City appoints hotel/motel members for initial terms of one and three years, respectively, restaurant members for initial terms of two and four years, respectively. The Mayor appoints two members representing the business community for initial terms of one and five years, respectively. The Mayor appoints two members at large for initial terms of two and three years, respectively. One member is appointed by the Governor of Mississippi for an initial term of four years.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

The City issued \$65,000,000 of General Obligation Bonds for the development of the proposed Convention Center. The Capital City Convention Center Commission has jurisdiction and authority over all matters relating to the acquisition, construction, furnishing, equipping, erection, operation, maintenance, and promotion of a convention center. The Commission submits its budget and certain other planned actions to the City for comment prior to initiation. The Commission operates on a September 30 fiscal year and its financial statement data is presented as a proprietary fund type. Complete financial statements for the Capital City Convention Center Commission may be obtained at P. O. Box 3563, Jackson, Mississippi 39207.

Related Organizations

The following four agencies are non-profit corporations established within the City of Jackson. The Mayor appoints the board members of each respective agency as confirmed by the City Council. Each agency is fiscally independent from the City of Jackson, issues its debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City of Jackson is not obligated in any manner for the debt issues of these agencies. Financial statements for these agencies can be obtained at the following addresses:

Airport Authority
100 International Drive
Jackson, MS 39208

Jackson Housing Authority
2747 Livingston Road
Jackson, MS 39213

Jackson Public School District
662 South President Street
Jackson, MS 39201

Metro Jackson Convention & Visitors Bureau
921 North President Street
Jackson, MS 39202

Joint Ventures

The Jackson/Hinds Library System (the System) operates under a joint agreement between the City and Hinds County and is funded equally by the City and the County. The joint agreement was effective October 1, 1986. All buildings used by the System within the City of Jackson are owned and maintained by the City and, as such, have been included in the capital assets of governmental activities. The Jackson/Hinds Library System's financial statements may be obtained by writing to 300 North State Street, Jackson, MS 39201.

B. BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE AND FUND LEVEL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water, sewer, and public transit services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

The government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (police, fire, public works, etc.). The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect cost. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the changes in the City's net assets resulting from the current year's activities. Separate financial statements are provided for governmental funds and proprietary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Proprietary Funds and of the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for Proprietary Funds and Internal Service Funds include the cost of sales and services, direct administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds are used to report resources in a purely custodial capacity (assets equal liabilities). So, agency funds cannot be said to have a measurement focus, however, they do use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major government funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund.

Federal Grant Fund - This fund is used to account for proceeds of various federal grant programs.

Debt Service Fund - This fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other than debt of the Enterprise Funds). Bond ordinances require the City to account for debt service transactions in separate funds, restrict the flow of cash between such funds, and comply with various other covenants. For financial statement reporting, the various debt service funds have been combined.

Improvement Fund - This fund is used to account for revenues that are legally restricted for improvements to City facilities.

1998 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$35,000,000 issued to finance certain projects including storm drainage systems, construction of a youth detention center, and repairing buildings.

2003 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$20,000,000 issued to finance certain projects including storm drainage systems, repairing and the construction of municipal buildings, infrastructures, and other related improvements.

2006 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$65,000,000 issued to finance the acquisition, construction, equipping, and furnishing of a convention center in the City to be known as the Capital City Convention Center and other authorized costs.

2009 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$26,210,000 issued to pay the costs of constructing, improving and paving streets, sidewalks, driveways, parkways and public parking facilities.

The City reports the following major proprietary funds:

Water/Sewage Disposal System Fund - This fund accounts for activities associated with the provision of water, sewerage and water pollution control services to individuals, organizations and other governmental units within and around the City.

Sanitation Fund - This fund accounts for activities associated with the City's sanitation and recycling service.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

Additionally, the City reports the following fund types:

Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The City has three trust funds, the Unemployment Compensation Revolving Fund, the Charitable Trust Fire and Police Fund, and the Mausoleum Trust Fund. The function of the City's principal employee benefit trust fund, the Unemployment Compensation Revolving Fund, is discussed in Note 5.A.2. The function of the Charitable Trust Fire and Police Fund is to account for contributions from the public sector which is held in trust for fire and police allowable claims. The function of the Mausoleum Trust Fund is to maintain and upkeep the Henry Mausoleum.

The purpose of the City's Agency Funds is to collect and remit to the related organizations the property taxes collected and proceeds of a special sales tax received from the State. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date generally within 90 days of the date acquired by the City. Collateral as further discussed in Note 4, is pledged by the various financial institutions to secure City funds.

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Investments

Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the City of Jackson, in consultation with its investment advisors and custodial bank, has determined the fair values.

4. Restricted Assets

Certain proceeds of the City's Proprietary Fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and trust accounts and their use is limited by applicable bond covenants. Restricted amounts in governmental activities include amounts set aside by law for state tort claims and amounts accumulated for general obligation bond debt service.

5. Inventories

Inventories are priced at cost using the weighted average method. Inventories are accounted for using the consumption method and are not charged out until used. Inventories consist of major stores of materials and supplies held at central locations. The user departments and other funds of the City are charged for the cost value of the items, as they are withdrawn from inventory.

6. Capital Assets

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value at the date received. The City's classes of capital assets and their capitalization levels are: land – cost or fair market value, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$500, infrastructure - \$100,000, and construction in progress – based on the project's class. The cost of normal maintenance and repair that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures within governmental activities are not capitalized.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. The proceeds from the sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

7. Compensated Absences

The City accrues accumulated unpaid personal leave and associated employee-related cost when earned (or estimated to be earned) by employees up to 240 hours. For the Proprietary Funds and the government-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentation. The compensated absences liability is liquidated by the following funds: general fund, special revenue, transportation, sanitation & water/sewer.

8. Bond Discounts, Bond Premiums and Issuance Costs

In the government funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Sources/Uses".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the terms of the bonds outstanding method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable. Issuance costs are recorded as other assets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

9. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near fair market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

10. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are recognized at the levy date. All property taxes are billed, collected and recognized as revenue within the same period for which they are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In, applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provided and deferred revenue by the recipient.

11. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

12. Reserves and Designations

Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure. An amount reserved for debt service in the proprietary funds represents portions of fund equity that are required to be segregated in accordance with bond resolutions. Amounts reserved for state tort claims represent amounts required by state law to be segregated for these purposes. The unreserved designated fund balance of the Capital Projects Funds is appropriated for expenditures in future years. The amount designated for contingencies represents an earmarking of financial resources for the future use by the City to fund estimated loss contingencies.

13. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued):

14. Pension Expenses

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in Note 5 Section F.

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

16. Future Effective Accounting Pronouncements

GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009.

GASB issued Statement No 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is effective for periods beginning after June 15, 2009. Earlier application is encouraged. The guidance in this Statement will require governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. On the other hand, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Although management has not evaluated the impact of this statement on the City's financial statements, given the nature of the County's involvement in interest rate swaps, the potential impact could be substantial.

GASB issued Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement is effective for periods beginning after June 15, 2010. Early implementation is encouraged. The requirements in this Statement will change financial reporting by providing fund balance categories and classifications that are expected to be more easily understood. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. This statement is expected to have a significant effect on how the City reports its fund balances.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 2 – Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$178,259 difference are as follows (in thousands of dollars):

Bonds payable	\$ 150,048
Less: Deferred charge on refunding (to be amortized as interest expense)	1,459
Less: Issuance premium	3,118
Less: Issuance discount (to be amortized as interest expense)	(707)
Deferred bond issuance cost	(463)
Accrued interest payable	442
Capital leases payable	13,040
Claims and judgments	2,616
Compensated absences	4,316
Workers' Compensation Benefits	<u>4,390</u>
 Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	 <u>\$ 178,259</u>

Another element of that reconciliation explains that “Internal service funds are used to account for the group benefit plan. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.” The details of this \$987 difference are as follows (in thousands of dollars):

Net assets of the internal service funds	<u>\$ 987</u>
 Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	 <u>\$ 987</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$16,834 difference are as follows (in thousands of dollars):

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 2 – Reconciliation of government-wide and fund financial statements (Continued):

Capital outlay	\$ 26,663
Depreciation expense	<u>(9,829)</u>

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$16,834</u>
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Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$11,090 difference are as follows (in thousands of dollars):

Principal repayments:	
General obligation debt	\$ 4,135
Limited obligation debt	130
Special obligation debt	6,430
Other debt	<u>395</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 11,090</u>
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Another element of that reconciliation states that "The activities from debt related transactions include new capital lease proceeds reported in the fund statements and retirement of prior lease." The details of this \$13 difference are as follows (in thousands of dollars):

Debt issued or incurred:	
Capital lease financing	\$ 2,994
Principal repayments:	
Payment on capital lease	<u>(2,981)</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 13</u>
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Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$1,145 difference are as follows (in thousands of dollars):

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

**Note 2 – Reconciliation of government-wide and fund financial statements
(Continued):**

Compensated absences	\$ 711
Workers' compensation benefits	157
Claims and judgments	112
Accrued interest	(168)
Amortization of bond premium	276
Amortization of bond discounts	(74)
Amortization of issuance costs	148
Amortization of deferred costs	<u>(17)</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,145</u>
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Another element of that reconciliation states that "Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements." The details of this \$24 difference are as follows (in thousands of dollars):

Property taxes receivable	\$ (44)
Special assessments receivable	<u>20</u>

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (24)</u>
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Another element of that reconciliation states that "Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$588 difference are as follows (in thousands of dollars):

Change in net assets of the internal service funds	<u>\$ 588</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 588</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 3 – Stewardship, Compliance and Accountability

A. BUDGETARY INFORMATION

The City follows these procedures in establishing budgetary data reflected in the financial statements.

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division of the Department of Administration by June 1 each year.
3. The Finance Division of the Department of Administration reviews the expenditure budgets, and the necessary revisions are communicated to department directors.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared by July 1, and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
6. The budget is formally amended in September each year or any time that budget revisions through funds reallocation are necessary or a budget deficit is indicated.
7. The City prepares annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds (with the exception of the 1986 Industrial Park, the 1992 Special Assessment and the 1996 Metro Station Funds), Enterprise Funds, Internal Service Fund and Trust Funds (with the exception of the Charitable Trust Fire and Police Fund). Budgets for the Enterprise Funds are prepared on a GAAP basis but exclude depreciation and bad debt expense and include debt retirement payments. The General Fund, Debt Service Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Fund and Trust Funds are prepared in accordance with GAAP. Budget and actual comparisons are presented in the accompanying financial statements for all governmental type funds for which a budget is adopted.

During the fiscal year, several adjustments are normally required to the adopted budget. The approved budget may be amended as required in accordance with the following protocol:

- a. Revenues are reviewed at least quarterly, and the projections are adjusted if warranted. These adjustments to expected revenues, if material, can precipitate adjustments to the expenditure budget.
- b. Adjustments to transfer approved expenditure budgets from one department to another or to transfer from one category to another within a department must be approved by the City Council.
- c. All new appropriations must be approved by the City Council and are normally submitted by the Mayor's Office.

The legal level of control for all budgets adopted is at the category level by funds with the exception of the General Fund, which is appropriated at the category level by department. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 3 – Stewardship, Compliance and Accountability (Continued):

The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. The Finance Division of the Department of Administration advises the Mayor whenever a requested expenditure will exceed budgeted amounts. The City Council may approve expenditures in excess of budgeted amounts in various funds or departments as appropriate, as long as total annual expenditures do not exceed available resources. Adjustments in expenditure rates, if necessary, are implemented by the City Council as required, so that the total expenditures and resources will remain in balance throughout the year.

8. Budgeted expenditure or expense amounts as originally adopted were amended by the City Council in September 2009 as provided by law, as follows (in thousands of dollars):

	Originally Adopted Budget	Budget as Amended	Increase (Decrease)
General Fund	\$ 123,969	\$ 123,734	\$ (235)
Special Revenue Funds	47,835	62,974	15,139
Debt Service Fund	9,820	6,829	(2,991)
Capital Projects Funds	27,500	28,847	1,347
Enterprise Funds	134,369	136,375	2,006
Internal Service Fund	11,674	11,177	(497)
	<u>\$ 355,167</u>	<u>\$ 369,936</u>	<u>\$14,769</u>

9. Unexpended appropriations lapse at year end in all funds.

B. DEFICIT FUND EQUITY

The City has no deficit fund equity by individual fund as of September 30, 2009.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds

A. DEPOSITS AND INVESTMENTS

1. Policies and Practices

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

2. Deposits – Primary government

At year end, the carrying amount of the City's deposits was \$130,337,083 and the bank balances totaled \$133,178,565. Of the bank balances, \$250,000 was insured by federal deposit insurance and \$132,928,565 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code.

3. Investments – Primary Government

As of September 30, 2009, the City had investments consisting of U.S. Agencies at a total fair value of \$8,060,480 with a total Portfolio Weighted Average maturity of less than one year.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to losses from rising interest rates, the City's investment policy limits investment maturities in its portfolio to no more than 12 months for U.S. Treasury obligations for all investments except bond funds. With respect to bond funds, the City can invest in obligations of U.S. federal agencies for no more than 18 months.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possessions of an outside party. Consistent with the City's investment policy, all investments above are held by a counterparty and are not insured but are backed by the U. S. government.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer
- Money market mutual funds where portfolios consist entirely of U. S. governmental and/or federal agency securities
- Bonds or direct obligations of the:
 - United States of America
 - State of Mississippi
 - County or Municipality of Mississippi
 - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

4. Cash and Investments - Component Units

The component unit's policy is to invest available funds in the following types of investments: 1) direct obligations of the U. S. of America, including such instruments as treasury bills, treasury notes and treasury bonds; 2) obligations of U. S. Government agencies that are deliverable on the Federal Reserve System; 3) Repurchase agreements in U. S. Government securities made with dealers that report to and are regulated by the Federal Reserve Bank; 4) deposits with financial institutions which are insured or are fully collateralized by qualifying securities.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). As of September 30, 2009 all of the component unit's cash deposits in excess of the amounts covered by the FDIC were covered under the collateral pool administered by the State Treasurer.

Cash equivalents are reflected at cost, which approximates fair value. These cash equivalents were uninsured, unregistered, and held by the counterparty brokerage firm. At September 30, 2009, cash equivalents of the component unit consisted of the following (amounts are expressed in thousand dollars):

Jackson Redevelopment Authority		
U. S. Treasury Bills:		
Unrestricted	\$	1,134
Restricted under bond agreements		62
	\$	<u>1,196</u>
Capital City Convention Center Commission		
Repurchase Agreements:		
Unrestricted	\$	<u>499</u>

B. RECEIVABLES

Receivables at September 30, 2009, for the primary government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (amounts are expressed in thousand dollars):

	General	Debt Service	Water and Sewer	Sanitation	2006 G O Bond	Federal Grant	2003 G O Bond	2009 G O Bond	Nonmajor and Other Funds	Total
Receivables:										
Accounts receivable	\$ -	\$ -	\$ 14,928	\$ 4,076	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ 19,018
Intergovernmental	540	143	-	-	-	2,481	543	-	1,983	5,690
Other	55,217	7,684	111	-	1	16	-	4	8,697	71,730
Gross receivables	\$ <u>55,757</u>	\$ <u>7,827</u>	\$ <u>15,039</u>	\$ <u>4,076</u>	\$ <u>1</u>	\$ <u>2,497</u>	\$ <u>543</u>	\$ <u>4</u>	\$ <u>10,694</u>	\$ <u>96,438</u>

Receivables of Water and Sewer are reported net of uncollectible amounts.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

B. RECEIVABLES (Continued):

1. Property taxes

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Hinds, Rankin and Madison Counties bill and collect the real, personal and auto ad valorem taxes for the City of Jackson, Jackson Municipal Separate School District and the Jackson/Hinds Library System. Automobile taxes are remitted monthly and real and personal taxes are remitted on a weekly basis to the City of Jackson. Hinds County remits directly to the Jackson Municipal Separate School District taxes collected for all school funds except the Bond and Interest Fund in accordance with State law. Hinds County also remits to the City a pro rata share of road and bridge taxes collected by the County.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due on February 1 and one-fourth each on May 1 and August 1.

Tax millage levies for 2008 were collected in the current fiscal year and statutory maximum millage rates were as follows:

<u>Fund</u>	<u>Levy (in mills)</u>	<u>Purpose</u>	<u>Maximum</u>
General Fund	43.69	General	None
Parks and Recreation Fund	2.00	Recreation	2.00 mills
Debt Service Fund	5.47	Debt retirement	None
Disability and Relief Fund	<u>5.56</u>	Retirement	None
Total City of Jackson	<u>56.72</u>		
Jackson/Hinds Library System	<u>1.31</u>	Public library	None
Jackson Municipal Separate School District:			
District Supplement Levy	68.91	Public schools	None
Special Debt Retirement Levy	1.66	Public schools	None
Special Debt Retirement Bond	3.00	Public schools	None
Special Debt Retirement	<u>1.42</u>	Public schools	None
	<u>74.99</u>		
Total mills	<u>133.02</u>		

The City levies an assessment for the Landscape Improvement fund which consists of nine cents of the gross square footage of land and building of property owners located in the downtown development district.

The City is permitted to levy taxes based on a percentage of up to 100% of fair value of property at the millage indicated above. At the present time, the City levies taxes based on 10% of fair value for homeowner-occupied real property, 15% of fair value for all other real and personal property, and 30% of fair value for all motor vehicles and property owned by public service corporations. The City may levy taxes as necessary to meet bonded debt retirement. Limitations are imposed on the amount of bonded debt that may be issued based upon assessed valuation of properties.

Annual tax increases for all purposes except payment of general obligation bonds and interest are limited by State law to 10% of the preceding year's receipts plus new construction.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

B. RECEIVABLES (Continued):

The State levies a 7% sales tax on retail sales and remits 18.5% of collections to the City monthly. Intergovernmental revenue of the General Fund includes \$32,301,001 of sales tax revenue.

In accordance with the Local and Private Act, since January 1, 2005 the City has levied, assessed and is collecting: (a) tax of 1% of the gross proceeds of sales of restaurants and of sales of food and beverages in the hotels and motels, within the City; (b) a tax of 3% of the gross proceeds of sales of hotel and motel rooms and lodging within the City; and (c) a tax of 3% of gross proceeds of sales at the Convention Center by caterers. The tax is primarily to be used for debt service payments on bonds issued for the construction of a convention center.

Governmental funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 285,518
Delinquent property taxes receivable (debt service fund)	738,447
Special assessments not yet due (debt service fund)	143,478
Current year tax assessments (all funds)	67,446,989
Grant drawdowns prior to meeting all eligibility requirements	<u>561,526</u>
Total unearned revenue for governmental funds	<u>\$ 69,175,958</u>

C. CHANGES IN CAPITAL ASSETS

1. Primary government capital asset activity for the year ended September 30, 2009, was as follows (amounts are expressed in thousands):

	Balance September 30, 2008	Additions	Deletions	Balance September 30, 2009
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 14,522	\$ 56	\$ (50)	\$ 14,528
Construction in progress	50,608	21,704	-	72,312
Total capital assets not being depreciated	<u>65,130</u>	<u>21,760</u>	<u>(50)</u>	<u>86,840</u>
Capital assets being depreciated:				
Buildings	80,123	32	-	80,155
Infrastructure	214,444	-	(198)	214,246
Automotive and equipment	70,961	5,110	(196)	75,875
Total capital assets being depreciated	<u>365,528</u>	<u>5,142</u>	<u>(394)</u>	<u>370,276</u>
Less accumulated depreciation for:				
Buildings	(19,582)	(1,497)	-	(21,079)
Infrastructure	(83,236)	(4,581)	17	(87,800)
Automotive and equipment	(62,648)	(3,751)	189	(66,210)
Total accumulated depreciation	<u>(165,466)</u>	<u>(9,829)</u>	<u>206</u>	<u>(175,089)</u>
Total capital assets being depreciated, net	<u>200,062</u>	<u>(4,687)</u>	<u>(188)</u>	<u>195,187</u>
Total governmental activities capital assets, net	<u>\$ 265,192</u>	<u>\$ 17,073</u>	<u>\$ 238</u>	<u>\$ 282,027</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued):

	Balance September 30, 2008	Additions	Deletions	Balance September 30, 2009
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,838	\$ -	\$ -	\$ 1,838
Construction in progress	116,419	14,312	-	130,731
Total capital assets not being depreciated	118,257	14,312	-	132,569
Capital assets being depreciated:				
Buildings	119,358	31	(1,495)	117,894
Infrastructure	263,298	42	(4,027)	259,313
Automotive and equipment	25,418	2,905	(570)	27,753
Total capital assets being depreciated	408,074	2,978	(6,092)	404,960
Less accumulated depreciation for:				
Buildings	(68,930)	(2,975)	727	(71,178)
Infrastructure	(104,060)	(4,373)	866	(107,567)
Automotive and equipment	(12,178)	(1,848)	383	(13,643)
Total accumulated depreciation	(185,168)	(9,196)	1,976	(192,388)
Total capital assets being depreciated, net	222,906	(6,218)	4,116	212,572
Total business-type activities capital assets, net	\$ 341,163	\$ 8,094	\$ 4,116	\$ 345,141

2. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$ 1,967
Public Safety	3,146
Public Works	1,770
Culture and recreation	2,946

Total depreciation expense – governmental activities \$ 9,829

Business-Type Activities:

Water/Sewer	\$ 8,077
Sanitation	288
Non-major business – type activities	831

Total depreciation expense – business-type activities \$ 9,196

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued):

3. Construction work in progress for the governmental activities of the primary government is composed of the following:

Project	Spent-to-date	Remaining Commitment
Improvement Fund	\$ 12,313,995	\$ 911,989
Community Development Block Grant	1,702,326	101,389
1982 Industrial Park Bond	189,686	-
1988 G O Public Improvement Construction Bond	116,179	-
1994 G O Public Improvement Construction Bond	10,000	-
1998 G O Public Improvement Construction Bond	18,145,500	341,728
2003 G O Public Improvement Construction Bond	19,464,134	2,686,786
2007 Tax Increment Limited Obligation Bond	2,077,735	-
2008 G O Street Construction Bond	11,583,763	4,161,264
Economic Development Initiative –		
Economic Development	159,956	20,600
Traffic – Repair and Replacement	2,068,748	315,923
Drainage – Repair and Replacement	598,000	34,681
Housing Rehab	284,377	-
Resurfacing – Repair and Replacement	3,587,706	30,034
Hawkins Field Industrial Development	9,643	-
Parks – Repair and Replacement	-	28,161
Total	\$ <u>72,311,748</u>	\$ <u>8,632,555</u>

4. Construction work in progress at September 30, 2009 for primary government enterprise funds is composed of the following:

Project	Spent-to-date	Remaining Commitment
Water/Sewer Construction Fund	<u>\$130,730,544</u>	<u>\$5,473,579</u>
Total	<u>\$130,730,544</u>	<u>\$5,473,579</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued)

5. A summary of changes in capital assets for component units is as follows: (amounts are expressed in thousands)

Activity for the Jackson Redevelopment Authority for the year ended September 30, 2009, was as follows:

Business-Type Activities:	Balance September 30, 2008	Additions	Deletions	Balance September 30, 2009
Capital assets not being depreciated:				
Land	\$ 4,303	\$ 80	\$ -	\$ 4,383
Construction in progress	25	-	-	25
Property held for sales	2,575	-	(2,575)	-
Property held for development	1,833	12	(40)	1,805
Total capital assets not being depreciated	8,736	92	(2,615)	6,213
Other capital assets:				
Land improvements	29	-	-	29
Buildings	49,159	770	-	49,929
Equipment and furniture	1,288	-	-	1,288
Total other capital assets	50,476	770	-	51,246
Less accumulated depreciation for:				
Land improvements	(29)	-	-	(29)
Buildings	(15,577)	(1,235)	-	(16,812)
Equipment and furniture	(1,285)	(2)	-	(1,287)
Total capital assets being depreciated	(16,891)	(1,237)	-	(18,128)
Total other capital assets, net	33,585	(467)	-	33,118
Total capital assets, net	\$ 42,321	\$ (375)	\$ (2,615)	\$ 39,331

Depreciation expense was charged to activities as follows:

Urban renewal projects	\$ 795
Rehabilitation loan services	2
Parking facilities	440
Total	<u>\$1,237</u>

Activity for the Capital City Convention Center Commission for the year ended September 30, 2009, was as follows:

Business-Type Activities:	Balance September 30, 2008	Additions	Deletions	Transfers	Balance September 30, 2009
Capital assets not being depreciated:					
Land	\$ 4,685	\$ 1,016	\$ -	\$ 39	\$ 5,740
Building and improvements	-	16,679	-	62,961	79,640
Equipment	5	4,087	-	-	4,092
Construction in progress	53,233	9,768	-	(63,001)	-
	57,923	31,550	-	(1)	89,472
Less accumulated depreciation	-	(1,895)	-	-	(1,895)
Total capital assets, net	\$ 57,923	\$ 29,655	\$ -	\$ (1)	\$ 87,577

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Individual fund interfund receivable and payable balances as of September 30, 2009 follows (in thousands of dollars):

	Interfund Receivables	Interfund Payables
General Fund	\$ 3,174	\$ -
Water/Sewage Disposal System Fund	204	-
Sanitation Fund	-	204
Federal Grant	-	214
Nonmajor Proprietary Funds	-	2,960
Total	<u>\$ 3,378</u>	<u>\$ 3,378</u>

Summary of transfer in/transfer out within primary government (in thousands of dollars):

	Transfer In	Transfer Out
General Fund	\$ 500	\$ 14,957
Debt Service Fund	17	-
Federal Grant Fund	734	-
Improvement Fund	3,127	500
Water/Sewage Disposal System Fund	-	133
Nonmajor Governmental Funds	3,203	17
Internal Service Fund	3,865	-
Nonmajor Proprietary Funds	4,161	-
Total	<u>\$ 15,607</u>	<u>\$ 15,607</u>

Interfund transfers at September 30, 2009 consist of the following (in thousands of dollars):

\$	500	From the Improvement Fund to General Fund to subsidize operations.
	17	From the Nonmajor Governmental Fund (2007 Tax Increment Bond) to Debt Service Fund for debt service payment.
	734	From the General Fund to a Major Governmental Fund (Federal Grant Fund) to subsidize operations.
	3,127	From the General Fund to a Major Governmental Fund (Improvement Fund) to subsidize operations.
	3,203	From the General Fund to Nonmajor Governmental Funds (Parks and Recreation and State Grant Funds) to subsidize operations.
	3,865	From the General Fund to Internal Service Fund to subsidize operations.
	4,028	From the General Fund to Nonmajor Proprietary Funds (Transportation) to subsidize operations.
	133	From the Water/Sewage Disposal System Fund to Nonmajor Proprietary Funds (Madison Sewage) to subsidize operations.
\$	<u>15,607</u>	

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

E. CAPITAL LEASES:

The City leases property with varying terms and options. Most leases contain a clause that states that the lease shall terminate in the event that no funds or insufficient funds are appropriated. However, if renewal is reasonably assured, leases are considered noncancellable leases for financial reporting purposes.

The City has financed through lease agreements the acquisition of the data processing division computer system, word-processing systems for the legal division, computerized records management system and a computer-aided dispatch system for the fire and police departments, and various copying and duplicating equipment. In addition, tractors have been acquired for both the Water Maintenance and the Engineering Maintenance divisions; golf carts have been acquired for the City's golf courses and riding lawn mowers have been acquired for park maintenance. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception. Future minimum lease payments under operating leases are disclosed in the following note. At September 30, 2009, there were assets under capital lease totaling \$20,388,975 for machinery and equipment. Future minimum lease payments for capital leases are disclosed in Note 4 section G-8.

The City has reported the proceeds of capital leases related to its Proprietary Funds as inflows of cash since the City receives cash advances from the lessors and purchases the related assets.

F. OPERATING LEASES:

The City is obligated under certain noncancellable leases for land and buildings with terms remaining more than one year that are classified as operating leases. Operating leases do not give rise to property rights; therefore, the results of the lease agreements are not reflected in the City's account groups. Total lease expenditures for the rental of all land and buildings under operating leases for the year ended September 30, 2009, amounted to \$549,821. The following is a schedule by years of future minimum lease payments required under the noncancellable land and building operating leases as of September 30, 2009, (in thousands of dollars):

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 469
2011	471
2012	405
2013	188
2014	188
2015 and thereafter	<u>2,580</u>
Total	<u>\$ 4,301</u>

The total rental expenditures for all operating leases of the City for the year ended September 30, 2009 totaled to \$1,127,443. There were no subleases or contingent rentals associated with the operating leases.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT:

1. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are to be repaid from proprietary revenues.

The City issued \$20 million of general obligation bonds in January 2003 to provide funds for the costs of: (A) erecting, repairing, improving, and equipping municipal buildings, (B) improving streets, (C) traffic signals, (D) drainage improvements.

On August 4, 2005, the City issued \$20,960,000 in General Obligation Refunding Bonds with an average interest rate of 4.26 percent to advance refund \$20,710,000 of outstanding General Obligation Bonds, Series 1998 with an average interest rate of 5.05. The net proceeds of \$21,904,652 (after payment of \$343,777 in underwriting fees, insurance and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the General Obligation Bonds, Series 1998. As a result, the General Obligation Bonds, Series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. A portion (\$7,490,000) of the General Obligation Bonds, Series 1998 was not refunded.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,401,036. This difference is being charged to operations through the year 2017. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$816,595 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$861,719.

On November 8, 2006, the City issued \$65,000,000 in General Obligation Bonds to provide funds (a) to purchase the City Bond to provide funds to the City in order to finance the acquisition, construction, equipping, and furnishing of a convention center in the City to be known as the Capital City Convention Center and for other authorized purposes under the Act (the "Construction Project"), and (b) to pay the Costs of Issuance of the Series 2006 Bonds and the City Bond, including the cost of the premium for the Bond Insurance Policy.

On May 1, 2009, the City issued \$5,155,000 in General Obligation Refunding Bonds with an average interest rate of 4.40 percent to refund \$5,110,000 of outstanding General Obligations Refunding Bonds, Series 2002 with an average interest rate of 4.57. The net proceeds of \$5,155,000 (after payment of \$194,550 in underwriting fees, insurance and other issuance costs) were used to pay the final debt service payment for the General Obligation Refunding Bonds, Series 2002. As a result, the General Obligation Refunding Bonds, Series 2002 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

On January 1, 2009 the City issued \$26,210,000 General Obligation Street Resurfacing Bond. The Bonds are being issued to provide funds to (a) purchase the City Bond to provide funds to the City to pay the costs of constructing, improving and paving streets, sidewalks, driveways, parkways, walkways and public parking facilities, and purchasing land therefore; and constructing bridges and culverts and (b) pay the Costs of Issuance of the Bonds and the City Bond.

At September 30, 2009, the City has no general obligation bonds considered to be defeased and outstanding.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT:

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds in denominations of \$5,000 with principal maturing annually and interest due at various semi-annual dates. General obligation bonds currently outstanding at September 30, 2009, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>General Obligation Bonds:</u>					
Refunding Bonds, Series 1998	06/16/98	3.75-4.85%	07/01/14	5,490	2,935
General Obligation Bonds, Series 1998	10/01/98	4.00-5.25%	10/01/18	35,000	2,695
MS Development Bank GO Bonds, Series 2003	01/05/03	2.00-5.25%	03/01/23	20,000	15,890
General Obligation Bonds, Refunding 2005	08/04/05	3.00-5.00%	10/01/17	20,960	17,705
General Obligation Bonds, Series 2006	11/08/06	3.60-5.00%	03/01/36	65,000	65,000
Obligation Bonds, Refunding 2009	05/01/08	3.00-5.00%	05/01/13	5,155	4,175
General Obligation Bonds, Series 2009	01/01/09	4.00-5.80%	01/01/24	26,210	<u>26,210</u>
Total General Obligation Bonds					<u>\$ 134,610</u>

2. Revenue Bonds

On October 22, 2004, the City issued \$78,085,000 of Water/Sewer System Revenue and Revenue Refunding Bonds with an average interest rate of 4.53 percent to provide construction funding of \$57,985,452 and to advance refund \$5,030,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 6.38 percent and to advance refund \$5,895,000 of outstanding Water/Sewer System Revenue Bonds, Series 2002 with an average interest rate of 3.71. The net proceeds of \$11,567,152 (after payment of \$210,259 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portions of the Water/Sewer System Revenue Bonds, Series 1999 and the Water/Sewer System Revenue Bonds, Series 2002 that were refunded. As a result, the portion of the Water/Sewer System Revenue Bonds, Series 1999 and the Water/Sewer System Revenue Bonds, Series 2002 that were refunded are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$642,152. This difference is being charged to operations through the year 2034. The City completed the advance refunding to reduce its total debt service payments over the next 6 years by \$9,212,277 which resulted in an economic gain (difference between the present values of the old debt and the new debt service payments) of \$209,734.

On August 4, 2005, the City issued \$27,180,000 in Water/Sewer System Revenue Refunding Bonds with an average interest rate of 4.32 percent to advance refund \$25,800,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 5.21. The net proceeds of \$27,758,429 (after payment of \$496,236 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the Water/Sewer System Revenue Bonds, Series 1999. As a result, the Water/Sewer System Revenue

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Bonds, Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund. A portion (\$5,085,000) of the Water/Sewer System Revenue Bonds, Series 1999 was not refunded. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,785,028. This difference is being charged to operations through the year 2024. The City completed the advance refunding to reduce its total debt service payments over the next 19 years by \$1,057,504 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,383,192. Revenue bonds outstanding, at September 30, 2009, were as follows (in thousands of dollars):

<u>Revenue Bonds:</u>	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Enterprise Funds:					
Combined Water/Sewer System Bonds	07/07/99	5.00-6.75%	09/30/09	35,000	\$ -
Combined Water/Sewer System Bonds Series 2002	09/01/02	3.00-5.50%	09/01/32	50,000	42,355
Water/Sewer Revenue Refunding 2003	02/15/03	4.00-5.25%	09/01/11	40,520	8,975
Water/Sewer Revenue Refunding 2004	10/22/04	3.00-5.00%	09/01/34	78,085	77,470
Water/Sewer Revenue Refunding 2005	07/01/05	3.00-5.00%	09/01/24	27,180	<u>27,030</u>
Total Revenue Bonds					<u>\$ 155,830</u>

At September 30, 2009, the City had no revenue bonds considered to be defeased and outstanding.

3. Tax Increment Limited Obligation Bonds

The City issued \$2.270 million of tax increment limited obligation bonds in December 2007 to provide funds for the costs of constructing certain infrastructure improvements, site development and or site preparation in connection with the development and construction of a redevelopment project located within the City. The City entered into an Interlocal Cooperation Agreement with Hinds County, Mississippi, to provide the pledge of certain ad valorem tax revenues for the payment of the principal and interest on the bonds. As a result, the bonds are not a general obligation of the City. Limited obligation bonds outstanding at September 30, 2009, are as follows (in thousands of dollars):

<u>Limited Obligation Bonds:</u>	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
General Long-Term Debt:					
Tax Increment Financing Bonds, 2007	12/28/07	4.47%	03/01/2020	2,270	2,140
Tax Increment Financing Bonds, 2009	4/23/2009	4.20%	4/1/2024	407,000	407
Tax Increment Financing Bonds, 2009	6/16/2009	3.83%	7/1/2015	375,000	375
Tax Increment Financing Bonds, 2009	6/19/2009	4.75%	7/1/2022	1,600,000	<u>1,600</u>
Total Limited Obligation Bonds					<u>\$ 4,522</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

4. Special Obligation Bonds

The City issued \$49.790 million of special obligation bonds in October 1997 to provide funds to make a loan to the City, the proceeds of which loan was used by the City to fund a portion of the City's unfunded actuarial accrued liability (UAAL) in the City's Disability and Relief Retirement System. Special obligation bonds outstanding at September 30, 2009, are as follows (in thousands of dollars):

<u>Special Obligation Bonds:</u>	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
General long-term debt:					
MS Development Bank Taxable					
Special Obligation Bonds, Series 1997	10/15/97	5.75-6.60%	7/01/2009	\$49,790	\$ -
Total Special Obligation Bonds					\$ -

5. Section 108 Loan

On July 1, 2008, the City entered into a loan guaranty assistance in an amount not to exceed the \$10,000,000 under Section 108 of the Housing and Community Development Act of 1974 for the purpose of providing assistance for the Capital City Center Revitalization Project and for development of a revolving business loan program. Under the Contract for Loan Guarantee Assistance between the City and HUD, HUD authorized the City to loan up to \$10,000,000 under the 108 Program to TCI MS Investment, Inc. for special economic development activities under 24 CFR 570.703(i)(1) and 570.203(b) and, in particular, for "site assemblage" costs for the Revitalization Project. Upon repayment of the TCI Loan, the City is authorized to use funds under the 1098 program for the Business Loan Pool.

The Revitalization Project is to consist of development of two (2) hotels, commercial and retail space, a parking garage and residential facilities to help revitalize the City's CBD while providing job creation for persons of low and moderate income through construction activities and then through the new businesses opened as part of the Revitalization Project. The Business Loan Pool is to be used to provide loan to for-profit and non-profit businesses and organizations which meet the eligibility requirements of 24 CFR 570.703, the national objective requirements of 570.208 and, if applicable, the public benefit standards of 570.209(b).

As required by the Guaranty Agreement, the City also entered into an agreement with Regions Bank to serve as custodian of original loan and security documents for the loan to TCI.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

6. Jackson Redevelopment Authority

Urban Renewal Bonds and Notes

Urban renewal bonds and notes are issued to provide funds for various rehabilitation projects. The urban renewal bonds outstanding and net of unamortized bond discount of \$406,579 at September 30, 2009, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>Urban Renewal Bonds:</u>					
Enterprise Funds:					
Urban Renewal Central Business District, 1986-A	08/01/86	7.20-10.25%	08/01/09	\$ 1,040	\$ -
Urban Renewal Revenue Bonds, Series 1997-A	10/01/97	4.00-5.00%	11/01/13	12,270	3,470
Urban Renewal Central Business District, 1998-A	09/01/98	4.50-6.375%	09/01/23	2,825	1,980
Urban Renewal Central Business District, 1998-B	09/01/98	6.50-8.50%	09/01/23	1,175	895
Urban Renewal Central Business District, 1998-C	09/01/98	6.50-8.50%	09/01/18	1,800	-
Urban Renewal Bonds Jackson Mall Area Project, 1998-A	11/01/98	4.10-5.70%	11/01/13	650	270
Urban Renewal Bond Central Business District, 2000-A	11/01/00	5.00-7.00%	11/01/25	2,250	1,885
Urban Renewal Note Central Business District 2006-A-1	10/01/06	3.75%	10/01/10	4,450	1,985
Urban Renewal Note, Series 2009	08/10/09	6.50%	08/01/2019	1,750	<u>1,750</u>
Total Urban Renewal Bonds and Notes					<u>\$ 12,235</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

7. A summary of long-term debt transactions for the primary government and for the component unit for the year ended September 30, 2009, was as follows (in thousands of dollars):

	Beginning Balance	Adjustment s	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
Bonds and loans payable:						
General obligation bonds	\$ 112,535	\$ -	\$ 26,210	\$ 4,135	\$ 134,610	\$ 5,430
Limited obligation bonds	2,270	-	2,382	130	4,522	291
Special obligation bonds	6,430	-	-	6,430	-	-
State issued bonds	856	-	-	285	571	285
State revolving loan MDA	534	-	-	37	497	37
Miss. Development Bank Loan	737	35	2,075	-	2,847	38
Section 108 Loan	-	-	7,000	-	7,000	-
Less deferred amounts:						
For issuance discount	(781)	-	-	(74)	(707)	-
On refunding	1,248	-	359	148	1,459	-
For issuance premium	2,965	-	429	276	3,118	-
Total bonds payable	<u>126,794</u>	<u>35</u>	<u>38,455</u>	<u>11,367</u>	<u>153,917</u>	<u>6,081</u>
Capital leases	13,027	-	2,994	2,981	13,040	3,009
Claims and judgments	2,728	-	45	157	2,616	640
Workers' Compensation Benefits	4,233	-	2,006	1,849	4,390	2,080
Compensated absences	3,605	-	1,120	409	4,316	216
	<u>23,593</u>	<u>-</u>	<u>6,165</u>	<u>5,396</u>	<u>24,361</u>	<u>5,945</u>
Total Governmental Activity	<u>\$ 150,387</u>	<u>\$ 35</u>	<u>\$ 44,620</u>	<u>\$ 16,763</u>	<u>\$ 178,279</u>	<u>\$ 12,026</u>
Business-type activities:						
Bonds and loans payable:						
Revenue bonds	\$ 161,345	\$ -	\$ -	\$ 5,515	\$ 155,830	\$ 6,910
Less deferred amounts:						
For issuance premiums	5,204	-	-	626	4,578	-
On refunding	(1,919)	-	-	-	(1,919)	-
Total bonds payable	<u>164,630</u>	<u>-</u>	<u>-</u>	<u>6,141</u>	<u>158,489</u>	<u>6,910</u>
Capital leases	1,716	-	4,896	877	5,735	2,112
State Revolving Loan (DEQ)	18,508	-	-	1,511	16,997	1,569
Compensated absences	-	-	526	15	511	21
	<u>20,224</u>	<u>-</u>	<u>5,422</u>	<u>2,403</u>	<u>23,243</u>	<u>3,702</u>
Total Business-type activities	<u>\$ 184,854</u>	<u>\$ -</u>	<u>\$ 5,422</u>	<u>\$ 8,544</u>	<u>\$ 181,732</u>	<u>\$ 10,612</u>
Component Unit – Jackson Redevelopment Authority						
Urban Renewal bonds	\$ 11,125	\$ -	\$ -	\$ 2,590	\$ 8,535	\$ 1,215
Urban Renewal notes	4,450	-	1,750	2,465	3,735	2,049
Less deferred amounts:						
For issuance premiums	315	-	-	315	-	-
On refunding	(61)	-	-	(26)	(35)	-
Component Unit – Capital City Convention Center Commission						
Promissory Note	400	-	-	-	400	-
Total Component Unit	<u>\$ 16,229</u>	<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ 5,344</u>	<u>\$ 12,635</u>	<u>\$ 3,264</u>
Total Long-Term Debt	<u>\$ 351,470</u>	<u>\$ 35</u>	<u>\$ 51,792</u>	<u>\$ 30,651</u>	<u>\$ 372,646</u>	<u>\$ 25,902</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

8. The City's legal debt margin for the issuance of general obligation bonds was \$101,253,874 at September 30, 2009.

9. Annual Maturities Requirements

The annual requirements to amortize all long-term debts outstanding, net of unamortized bond discount of \$416,365 for the component unit as of September 30, 2009, including interest, by source of retirement are as follows (in thousands of dollars):

Debt Service Fund (Special Tax Levy)

Fiscal Year	General Obligation Bonds		Total
	Interest	Principal	
2010	\$ 6,405	\$ 5,430	\$11,835
2011	6,223	5,715	11,938
2012	5,986	6,380	12,366
2013	5,709	6,770	12,479
2014	5,256	8,845	14,101
2015 – 2019	22,047	27,570	49,617
2020 – 2024	15,061	26,490	41,551
2025 – 2029	9,770	14,800	24,570
2030 – 2034	5,583	21,545	27,128
2035 – 2039	563	11,065	11,628
Total	<u>\$ 82,603</u>	<u>\$134,610</u>	<u>\$ 217,213</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Fiscal Year	Limited Obligation Bonds		Total
	Interest	Principal	
2010	\$ 210	\$ 291	\$ 12,336
2011	186	325	12,449
2012	172	343	12,881
2013	157	367	13,003
2014	140	383	14,624
2015 – 2019	437	1,949	52,003
2020 – 2024	67	864	42,482
2025 – 2029	-	-	24,570
2030 – 2034	-	-	27,128
2035 – 2039	-	-	11,628
Total	<u>\$ 1,369</u>	<u>\$ 4,522</u>	<u>\$ 223,104</u>

General Fund (General Fund Revenues)

Fiscal Year	Jackson Redevelopment Authority Bonds		Obligation Under Capital Leases		Total
	Interest	Principal	Interest	Principal	
2010	\$ 150	\$ 960	\$ 474	\$ 3,009	\$ 4,593
2011	102	1,005	360	2,724	4,191
2012	51	1,060	263	2,026	3,400
2013	12	480	193	1,559	2,244
2014	-	-	138	924	1,062
2015 – 2019	-	-	231	2,614	2,845
2020 – 2024	-	-	9	184	193
Total	<u>\$ 315</u>	<u>\$ 3,505</u>	<u>\$ 1,668</u>	<u>\$ 13,040</u>	<u>\$18,528</u>

The City has unconditionally and irrevocably agreed to grant and contribute to the Jackson Redevelopment Authority from the General Fund of the City sums sufficient to pay the principal of and interest on the bonds issued by the Jackson Redevelopment Authority for urban renewal purposes, as the same shall mature and become due. The City has designated proceeds from Community Development Block Grants to service approximately 39% of the Jackson Redevelopment Authority bond requirements. Principal and interest maturities for 2009 were paid by contributions from the General Fund of \$1,798,870.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Enterprise Funds - Water/Sewage Disposal System Fund (Water/Sewer Revenue)

Revenue Bonds

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 7,617	\$ 6,910
2011	7,284	6,085
2012	6,996	4,245
2013	6,818	4,425
2014	6,637	4,605
2015 – 2019	29,680	26,530
2020 – 2024	22,494	33,695
2025 – 2029	14,435	30,475
2030 – 2034	<u>6,019</u>	<u>38,860</u>
Total	<u>\$ 107,980</u>	<u>\$ 155,830</u>

Obligations Under
Capital Lease

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 165	\$ 2,112
2011	100	1,670
2012	49	1,407
2013	18	129
2014	14	134
2015 – 2019	<u>13</u>	<u>283</u>
Total	<u>\$ 359</u>	<u>\$ 5,735</u>

<u>Fiscal Year</u>	<u>State Revolving Loan</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2010	\$ 554	\$ 1,569	\$ 18,927
2011	502	1,629	17,270
2012	440	1,692	14,829
2013	374	1,757	13,521
2014	307	1,825	13,522
2015 – 2019	833	5,490	62,829
2020 – 2024	200	2,448	58,837
2025 – 2029	21	587	45,518
2030 – 2034	<u>-</u>	<u>-</u>	<u>44,879</u>
Total	<u>\$ 3,231</u>	<u>\$ 16,997</u>	<u>\$290,132</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Jackson Redevelopment Authority (Urban Renewal Project Revenues)

<u>Fiscal Year</u>	Jackson Redevelopment Authority Notes Payable, Urban Renewal Notes and Bonds		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2010	\$ 417	\$ 2,304	\$ 2,721
2011	366	332	698
2012	348	356	704
2013	329	376	705
2014	308	401	709
2015 – 2019	1,226	2,931	4,157
2020 – 2024	347	1,740	2,087
2025 – 2029	<u>19</u>	<u>325</u>	<u>344</u>
Total	<u>\$ 3,360</u>	<u>\$ 8,765</u>	<u>\$ 12,125</u>

There are a number of requirements contained in various revenue bond ordinances. The City is in compliance with all significant requirements.

10. Annual Maturities Requirements

The annual requirements to amortize all debt outstanding for the City and the component unit as of September 30, 2009, including interest of \$416,365 for the component unit are as follows (in thousands of dollars):

<u>Fiscal Year</u>	<u>City of Jackson</u>	<u>Jackson Redevelopment Authority</u>
2010	\$ 34,746	\$ 3,831
2011	32,803	1,805
2012	29,999	1,815
2013	28,276	1,197
2014	29,208	710
2015 and thereafter	<u>372,911</u>	<u>6,587</u>
Total	<u>\$ 527,943</u>	<u>\$ 15,945</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

11. Industrial Revenue Bonds

Long-term debt does not include amounts for Industrial Revenue Bonds issued under authority of Section 57-3-1 through Section 57-3-33 of the Mississippi Code of 1972, as annotated. Industrial Revenue Bonds are issued to provide funds for direct financing leases to aid industries which manufacture, process, or assemble agricultural or manufactured products or any industry engaged in storing or warehousing products of agriculture, mining, or industry. These leases are administered by trustees with terms that provide for transfer of title of property after all bonds are paid in full.

Bonds issued under provisions of the above-mentioned law do not constitute an indebtedness of the municipality within the meaning of any state constitutional provision or limitation, or never give rise to the pecuniary liability of the municipality or a charge against its general credit or taxing powers, and such fact is plainly stated in the face of the bonds. The City has \$3,650,000 of the obligations outstanding as of September 30, 2009.

<u>Fiscal Year</u>	<u>Industrial Revenue Bonds</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2010	<u>1,280</u>	<u>3,650</u>	<u>4,930</u>
Total	<u>\$ 1,280</u>	<u>\$ 3,650</u>	<u>\$ 4,930</u>

12. Interest Rate Swap

On March 31, 2004, the City and the Mississippi Development Bank (collectively "the City") executed a confirmation with RFPC, LLC (a subsidiary of Rice Financial Products Company) (the "2004 Swap Counterparty"), in connection with the execution of an Interest Rate Swap Agreement (the "2004 Swap Agreement") in order to reduce the debt service costs associated with certain outstanding obligations of the City. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project) issued to fund certain water and sewer improvements for the City. The notional amount of the swap is \$49,105,000. The City received a savings pre-payment of \$119,235 from the 2004 Swap Counterparty.

Under the 2004 Swap Agreement the City receives a fixed rate from the 2004 Swap Counterparty, and in return pays a fixed rate less an Adjustment Factor. The Adjustment Factor exposes the City to changes in the ratio between the tax-exempt BMA Index and LIBOR. Payments on the swap are exchanged semiannually. The swap became effective on April 1, 2005 and will terminate on April 1, 2024. An early termination of the swap transaction may result in the City making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2009, the fair value of the transaction was a liability of \$2,736,952 for the City, which is not recorded, in the financial statements.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Risks Associated with the 2004 Swap Agreement

Credit Risk – The City's swap relies on the performance of the 2004 Swap Counterparty. The City is exposed to the risk that the 2004 Swap Counterparty is unable to fulfill its obligations to the City. The obligations of the 2004 Swap Counterparty to the City are guaranteed by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's and Fitch, respectively.

Basis Risk – The City pays fixed rates on the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project).

Interest Rate Risk – The City is exposed to changes in relationships between tax-exempt and taxable interest rates that may be affected by changes in the marginal tax rate, the elimination of tax preferences or other major changes to current tax law including, but not limited to, implementation of a flat tax or value-added tax.

Termination Risk – The 2004 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the City to significant termination risk. If the 2004 Swap Counterparty fails to meet its obligations to the City, these obligations will be met by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's and Fitch, respectively. If the third party guarantor suffers a loss of creditworthiness, the 2004 Swap Counterparty shall find an acceptable replacement guarantor. If such replacement guarantor is not available or if the City fails to meet its obligations to the 2004 Swap Counterparty, the termination provisions in the 2004 Swap Agreement will apply. The City may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to April 1, 2024 and that fair market value is negative.

Note 5 – Other Information

A. RISK MANAGEMENT

1. Workers Compensation Benefits

The City maintains a self-funded workers compensation plan accounted for in the General Fund. Commercial insurance is obtained to protect the City from excess losses greater than \$1,000,000 per individual claim for police and fire employees. Commercial insurance is obtained to protect the City from excess losses greater than \$400,000 per individual claim for all other employees. Benefits paid to employees during fiscal year 2009 were \$2,006,486.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and includes provisions for estimated claims adjustment expenses.

2. Unemployment Benefits

The City also maintains an Unemployment Compensation Revolving Fund (Employee Benefit Trust Fund) established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$7,000 paid each employee during the preceding year. As of September 30, 2009, the required amounts were funded. Claims totaled \$141,752 during fiscal year 2009. Estimates of the liability for unpaid claims are based on patterns of claims payments.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

A. RISK MANAGEMENT (Continued):

3. Group Benefits

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service Fund) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employer medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$7,349,174 and employee benefit costs were \$10,632,362 during fiscal year 2009. Claims incurred but not reported at September 30, 2009, in the Employees' Group Benefit Fund are provided for in the fund balance of that fund based primarily upon an actuary's estimate.

4. Tort Liability

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which the City of Jackson may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) Purchase of liability insurance, (2) Pooling of two or more municipalities or other political subdivision to purchase liability insurance or to self insure, (3) Self-insure with the establishment of a self-insurance reserve fund.

The City of Jackson is in compliance by using method number three as indicated above. The 2009 fiscal year budget had the monies necessary to establish the reserve fund at the required funding level. Estimates of the liability for unpaid claims are actuarially determined.

For the past three years, the settlement amount for claims against the City has not exceeded the amount of insurance coverage maintained by the City.

The following table provides a reconciliation of changes in the liabilities for claims for years ended September 30, 2009 and 2008:

	Employee Benefit Fund	Tort Claims	Unemployment Benefits Fund	Workers' Compensation Benefits
2009:				
Beginning Balance	\$ 560,380	\$ 2,728,926	\$ -	\$ 4,232,769
Current Year Claims/Changes in Estimates	10,632,362	45,476	141,752	2,006,486
Claims Payments	11,957,910	157,512	141,752	1,849,578
Ending Balance	<u>\$ 765,168</u>	<u>\$ 2,616,890</u>	<u>\$ -</u>	<u>\$ 4,389,677</u>
2008:				
Beginning Balance	\$ 651,732	\$ 2,962,156	\$ -	\$ 4,455,892
Current Year Claims/Changes in Estimates	11,053,971	167,415	104,565	1,764,859
Claims Payments	12,266,083	400,645	104,565	1,987,982
Ending Balance	<u>\$ 560,380</u>	<u>\$ 2,728,926</u>	<u>\$ -</u>	<u>\$ 4,232,769</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

A. RISK MANAGEMENT (Continued):

5. Other Risks

The City of Jackson is exposed to various other risks of loss related to theft of, damage to and destructions of assets; errors and omissions; and natural disasters. The City purchases commercial insurance policy covering employee dishonesty up to \$100,000 per employee with a \$1,000 deductible. The City carries casualty insurance in the amount of \$300,000,000 with a \$5,000 deductible to protect against damage to property caused by natural disaster or other casualties. Amounts of settlements have not exceeded insurance coverage in the past three years.

B. COMMITMENTS

During fiscal year 1993, the City entered into a revolving loan agreement with the Department of Environmental Quality (DEQ) for loans to the Jackson Water/Sewage Disposal System Fund. The City has pledged sales tax reimbursements from the State of Mississippi to repay the DEQ loans. The outstanding balance of the revolving loans at September 30, 2009, was \$16,996,358.

C. SUBSEQUENT EVENT

On June 9, 2010, the City of Jackson approved to issue general obligation refunding/restructuring bonds.

On June 23, 2010, the City of Jackson approved a \$200,000,000 master plan development spanning three city blocks in front of the Convention Center, with later phases of the master plan to include a 120-room extended stay hotel, 200-unit residential apartments, a 50,000 square foot office building, 50,000 square feet of boutique services and support retail, additional parking and other support facilities.

D. CONTINGENT LIABILITIES:

Litigation

The City is defendant in a number of legal actions seeking actual and punitive damages. Contingencies totaling \$2,616,890 for which it is probable a loss has been incurred and are subject to reasonable estimation are recognized in the financial statements in the governmental funds. The City is vigorously defending all matters of litigation and believes there will be no material adverse financial effect.

E. JOINT VENTURES

The following provides the summary financial information of the Jackson/Hinds Library System as of September 30, 2009 (in thousands of dollars):

<u>Jackson/Hinds Library System</u>	
Total assets	<u>\$ 1,551</u>
Total liabilities	<u>\$ 202</u>
Total fund equity	<u>\$ 1,348</u>
Total revenues	<u>\$ 3,968</u> (1)
Total expenditures	<u>\$ 3,940</u>
Net increase (decrease) in fund balance	<u>\$ 28</u>
Total debt	<u>\$ -</u>

(1) The percentage share of the joint venture applicable to the City of Jackson is fifty percent (50%).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

F. EMPLOYEES' RETIREMENT SYSTEM:

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost-sharing pension plan and an agent multi-employer pension plan as described below:

Public Employees' Retirement System

1. Plan Description and Provisions

Substantially all City of Jackson full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Section 21-29-201 of the Mississippi Code of 1942 as annotated, and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City of Jackson is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Annual Pension Cost. For 2009, the City's annual pension cost of \$8,005,792 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2008, actuarial valuation using the entry age actuarial cost method. PERS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2009 was 25 years.

Three-Year Trend Information for PERS
(Dollar amounts in Thousands)

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>
9/30/07	7,696	100%
9/30/08	7,614	100%
9/30/09	8,006	100%

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

F. EMPLOYEES' RETIREMENT SYSTEM (Continued):

Disability and Relief- Municipal Retirement Systems Pension Plan

1. Plan Description

The City of Jackson contributes to the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. The City's uniformed police officers and firefighters employed prior to April 1, 1976, participate in MRS. Firefighters and police officers employed subsequent to April 1, 1976, are members of the Public Employees' Retirement System of the State as previously described. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Legislation may be amended only by the State of Mississippi Legislature. At September 30, 2009, the date of the most recent actuarial verification, there were 5 participating municipal employers and 678 retired participants and beneficiaries currently receiving benefits. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Basis of Accounting

MRS uses the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed, investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for MRS are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit rating. Mortgage securities are valued on the basis of future principal and interest payments and counted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates market or fair value. For individual investments where no readily ascertainable market value exists, the Public Employees' Retirement System, in consultation with their investment advisors and custodial bank, has determined the fair values.

3. Funding Status and Progress

The actuarial accrued liability is a measure intended to (i) help users assess the plan's funding status on a going-concern basis, and (ii) assess progress being made in accumulating sufficient assets to pay benefits when due. For the years ending September 30, 1994, and prior, the actuarial value of assets was equal to book value. Beginning with the September 30, 1995, actuarial valuation, the actuarial value of assets will be determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the system's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

As of September 30, 2009, the most recent actuarial valuation date, the plan was 59.5% funded. The actuarial accrued liability for benefits was \$133 million and the actuarial value of assets was \$79.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$53.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$191,000, and the ratio of the UAAL to the covered payroll was 28.242%.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

F. EMPLOYEES' RETIREMENT SYSTEM (continued):

4. Annual Pension Cost and Net Pension Asset

The net pension obligation or asset represents the cumulative difference since the effective date of the statement between City's annual pension cost calculated pursuant to GASB 27 and the employer's contribution to the plan, including the pension liability or asset at transition. For purposes of transition, funding deficiencies which occurred prior to October 1, 1987 are not required to be considered but to do so is acceptable. However, information on fiscal years prior to October 1, 1987 is not available although considerable funding deficiencies occurred to that point. As a result of the transition rules under GASB Statement No. 27, the net pension obligation is considerably less than if the calculation were made considering all applicable years of the plan. Consequently, although the City has an unfunded actuarial accrued liability of \$53,943 as of September 30, 2009, the City has recorded a net pension asset of \$13,790 in the accompanying government wide statements in the governmental activities.

The City's annual pension cost and net pension asset for the current year calculated pursuant to GASB 27 is as follows (amounts are expressed in thousands):

Annual required pension contribution	\$ (5,006)
Interest on net pension asset	1,502
Adjustments to annual required contribution	<u>(1,759)</u>
Annual pension cost	(5,263)
Contributions made	<u>282</u>
Decrease in net pension asset	(4,981)
Net pension asset beginning of year	18,580
Prior period adjustment	<u>191</u>
Net assets-beginning of year as adjusted	<u>18,771</u>
Net pension asset end of year	<u>\$ 13,790</u>

As the result of the issuance of \$49,790 of general obligation bonds in 1997, the City's contribution to the plan has been limited since that date to matching contributions on employee withholdings. Since 2001, the City's unfunded actuarial accrued liability related to MRS has grown considerably and the annual required contribution for fiscal 2010 is projected to be approximately \$5,006. The City's plans are to continue the present contribution level to the plan through fiscal 2010. At that point the 1997 general obligation bonds will have been retired and tax millage presently used for bond payments amounting to approximately \$6.0 million will be diverted toward making annual contributions to the plan. Projections of cash flow for the plan indicate contributions of approximately \$ 6.0 million in 2010 and growing to approximately \$7.9 million through 2019 will be necessary to meet the City's obligations under the plan.

In 2009, the City recorded an adjustment of \$191,273 to include the understated amount for the decrease in the net pension asset.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

F. EMPLOYEES' RETIREMENT SYSTEM (continued):

In 1997, the City issued \$49,790,000 of General Obligation Bonds and contributed the proceeds to the MRS plan to provide for a similar reduction in the unfunded actuarial accrued liability. As a result of this contribution, the City has not recognized a net pension obligation (NPO) in its financial statements.

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the system (but not used for funding purposes) as of September 30, 2009. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% to 6.0% per year compounded annually, attributable to inflation and seniority/merit. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded liability is being amortized over a closed 30 year period with 25 years remaining as of September 30, 2009. At September 30, 2009, the unfunded actuarial accrued liability was determined as follows:

<u>Actuarial Accrued Liability</u>	<u>(In Thousands of Dollars)</u>
Retirees and beneficiaries currently receiving benefits	\$131,651
Active members	1,431
Vested terminated members not yet receiving benefits	<u>-</u>
Total actuarial accrued liability	133,082
Actuarial Value of Assets	<u>79,139</u>
Unfunded actuarial accrued liability	<u>\$ 53,943</u>

During the year ended September 30, 2009 the plan experienced an estimated net change of \$(2,457) in the Actuarial Accrued Liability.

5. Funding Policy

The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The funding policy for MRS provides for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. In developing the annual required contribution shown below, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on an open basis as a level dollar amount over a period of 40 years. The City's active MRS members contribute ten percent of their base salaries to the plan. This difference has historically resulted in the actual contribution being less than the annual required contribution.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

F. EMPLOYEES' RETIREMENT SYSTEM (continued):

6. Annual Pension Cost

During the year ended September 30, 2009, contributions totaling approximately \$301,882 (\$280,482 employer and \$21,400 employee) were made in accordance with contribution requirements determined by the actuarial valuation of the system as of September 30, 2008. The employer contributions consisted of approximately \$39,510 for normal cost and administrative expenses and \$240,972 for amortization of the unfunded actuarial accrued liability. In addition to the above contributions, the City has levied a special tax for the retirement of bonds issued to provide funding for City's pension obligation for the year ended September 30, 2009. This consisted of 5.56 mills on property valuation used to pay debt service of \$6,854,380.

7. Contributions Required and Contributions Made (Continued):

Three-Year Trend Information for MRS
(Dollar amounts in Thousands)

Fiscal Year <u>Funding</u>	Annual Pension <u>Cost (APC)</u>	Percentage Of APC <u>Contributed</u>	Net Pension Asset <u>(NPO)</u>
9/30/07	\$ 3,403	6.9%	22,154
9/30/08	3,574	7.2%	18,580
9/30/09	4,981	7.9%	13,790

G. OTHER POSTEMPLOYMENT BENEFITS

Effective for the 2009 fiscal year, the City adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses/expenditures and related liabilities (assets), note disclosures, and required supplementary information. This Statement requires recognition of the cost of other postemployment benefits during the periods when employees render their services and disclosure about actuarially accrued liabilities related to past services and the status and progress of funding the benefits. The requirements of GASB statement No. 45 were implemented prospectively beginning October 1, 2007.

Plan Description

The City's OPEB plan provides post employment healthcare coverage, including dental benefits to eligible individuals. Eligible individuals include all regular, full-time employees of the City, as well as permanent part-time employees who work at least 20 hours per week, and their spouses and dependent children. Employees must have earned at least 25 years of service with the City in order to be eligible for retiree healthcare coverage. Coverage continues at the election of the retiree until age 65. Retirees must pay the required monthly premium for either single or family coverage, as applicable. As of September 30, 2009, 202 retirees are eligible to receive benefits under the plan. The plan was established under authority of the City Council and may be amended or abolished by council action.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

G. OTHER POSTEMPLOYMENT BENEFITS (continued):

Annual OPEB cost and Net OPEB Obligation

The City's annual OPEB cost (expense) was calculated based on the *annual required contribution* of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. Since 2008 was the initial year of implementation for GASB 45, there was no calculation for the OPEB obligation at September 30, 2009. The ARC was calculated as part of the actuarial valuation performed by an outside actuary consultant. The following table shows the components of the government's annual OPEB cost for the year and the amount actually contributed to the plan during the year:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total OPEB Plan</u>
Annual Required Contribution	\$6,580,680	\$ 983,320	\$7,564,000
Interest on net OPEB obligation	-	-	-
Adjustment to ARC	-	-	-
Annual OPEB cost (expense)	6,580,680	983,320	7,564,000
Less: Contributions made	<u>(814,320)</u>	<u>(121,680)</u>	<u>(936,000)</u>
Increase in net OPEB obligation	5,766,360	861,640	6,628,000
Net OPEB obligation beginning	-	-	-
Net OPEB obligation end of year	<u>\$5,766,360</u>	<u>\$ 861,640</u>	<u>\$6,628,000</u>

Trend Information for OPEB Plan:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/08	\$7,564,000	12%	\$6,628,000
9/30/09	\$7,564,000	12%	\$6,628,000

CITY OF JACKSON
Notes to Financial Statements
September 30, 2009

Note 5 – Other Information (Continued):

G. OTHER POSTEMPLOYMENT BENEFITS (continued):

Funding status and funding progress:

The City funds the plan on a pay-as-you-go basis. As of September 30, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$52,430,000 with no valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same amount. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 6 percent after ten years. The city's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2009 was 15 years.

Note 6 – Prior Period Adjustment

In 2009, the Capital City Convention Center Commission which is a component unit of the City of Jackson, recorded an adjustment in the amount of \$696,748 to reflect prior year assets and liabilities not previously reported.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF JACKSON
Required Supplementary Information
Employees' Retirement Systems
Schedule of Funding Progress
September 30, 2009

DISABILITY AND RELIEF - MUNICIPAL RETIREMENT SYSTEMS PENSION PLAN

(Dollar amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll [(b-a)/c]
9/30/2007	98,151	135,551	37,400	72.4	222	16,846.8
9/30/2008	91,928	130,625	38,697	70.4	219	17,669.9
9/30/2009	79,139	133,082	53,943	59.5	191	28,242.4

**SCHEDULE OF FUNDING PROGRESS
for the OPEB PLAN**

(Dollar amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll [(b-a)/c]
10/1/2008	-	52,430	52,430	0.00%	69,894	75.0

**NON-MAJOR
GOVERNMENTAL FUNDS**

Nonmajor Governmental Funds

Special Revenue Funds

Parks and Recreation Fund

To account for the operation and maintenance of all City-owned parks. Financing is provided by a 2-Mill annual property tax levy, admissions, fees and concessions. Appropriations are made from General Fund sources to the extent that such tax levy and other revenues are not sufficient to finance expenditures.

State Grant Fund

To account for proceeds of state grants or loans other than those grants or loans for Enterprise Fund or Capital Projects Fund items.

Disability and Relief Fund

To account for the receipt of revenues, principally tax levies, and payments of bond principal and interest related to bonds issued to provide reductions in the accrued actual liability related to pensions of retired and disabled police and fireman employed prior to April 1, 1976.

Capital Projects Funds

Industrial Park Bond Fund, 1982-A

To account for proceeds of general obligation bonds of \$3,000,000 to establish an industrial park.

1988 Construction Bond Fund

To account for proceeds of general obligation bonds of 43,325,000 issued to finance certain projects including constructing and improving streets, storm drainage systems, parks and municipal buildings, and purchasing fire fighting equipment.

G.O. Capital Improvement Fund 1994

To account for proceeds of general obligation bonds of \$7,850,000 issued to finance the improvement and extension of the storm drainage system of the city, the construction, improvement or paving of streets, sidewalks and walkways and the purchase of land therefore and the purchase of firefighting equipment and apparatus, construction of housing for the same and the purchase of land there.

1996 Tax Increment Limited Obligation Metro Station Construction

To account for proceeds of general obligation bonds of \$1,650,000 issued to finance the costs of constructing various infrastructure improvements including, but not limited to, the construction and reconstruction of streets and utilities and the acquisition of land in connection therewith and other costs incidental to the construction.

2007 Tax Increment Limited Obligation Bond Fund

To account for bond proceeds issued to finance the costs of infrastructure improvements to the Lowe's project.

2009 Tax Increment Financing Revenue Bond

To account for bond proceeds issued to finance the costs of infrastructure improvements to the River Hills project.

2009 Tax Increment Financing Revenue Bond

To account for bond proceeds issued to finance the costs of infrastructure improvements to the Paul Moak project.

2009 Tax Increment Financing Revenue Bond

To account for bond proceeds issued to finance the costs of infrastructure improvements to the Fondren project.

City of Jackson
Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2009

	Special Revenue			
	Parks and Recreation	State Grant	Disability and Relief	Total
ASSETS				
Cash and Cash Equivalents	\$ 1,246,896	\$ 220,367	\$ 5,131	\$ 1,472,394
Accounts Receivable	-	-	-	-
Other Receivable	2,305,758	3,966	6,386,283	8,696,007
Total Current Asset	<u>\$ 3,552,654</u>	<u>\$ 224,333</u>	<u>\$ 6,391,414</u>	<u>\$ 10,168,401</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 32,116	-	-	\$ 32,116
Unearned Revenue	2,293,644	-	6,385,061	8,678,705
Other Liabilities	12,439	-	-	12,439
Total liabilities	<u>2,338,199</u>	<u>-</u>	<u>6,385,061</u>	<u>8,723,260</u>
FUND BALANCES				
Unreserved	1,214,455	224,333	6,353	1,445,141
Total fund balances	<u>1,214,455</u>	<u>224,333</u>	<u>6,353</u>	<u>1,445,141</u>
Total Liabilities and Fund balances	<u>\$ 3,552,654</u>	<u>\$ 224,333</u>	<u>\$ 6,391,414</u>	<u>\$ 10,168,401</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects

1982 Industrial Park Bond	1988 Construction Bond	1994 GO Bond Capital Improvement	1996 Metro Station	2007 Tax Increment Bond	2009 Tax Increment Bond	2009 Tax Increment Bond	2009 Tax Increment Bond	Total	Total Nonmajor Governmental Funds
\$ 53,786	\$ 9,551	\$ 42,962	\$ 11,416	\$ -	\$ -	\$ -	\$ 6,754	\$ 124,469	\$ 1,596,863
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	226	159	123	508	8,696,515
\$ 53,786	\$ 9,551	\$ 42,962	\$ 11,416	\$ -	\$ 226	\$ 159	\$ 6,877	\$ 124,977	\$ 10,293,378
\$ -	\$ 270	\$ 13,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,108	\$ 46,224
-	-	-	-	-	-	-	-	-	8,678,705
-	-	-	-	-	-	-	-	-	12,439
-	270	13,838	-	-	-	-	-	14,108	8,737,368
53,786	9,281	29,124	11,416	-	226	159	6,877	110,869	1,556,010
53,786	9,281	29,124	11,416	-	226	159	6,877	110,869	1,556,010
\$ 53,786	\$ 9,551	\$ 42,962	\$ 11,416	\$ -	\$ 226	\$ 159	\$ 6,877	\$ 124,977	\$ 10,293,378

City of Jackson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended September 30, 2009

	Special Revenue			
	Parks and Recreation	State Grant	Disability and Relief	Total
REVENUES				
General property taxes	\$ 2,328,570	\$ -	\$ 6,470,604	\$ 8,799,174
Intergovernmental	121,537	166,646	190,028	478,211
Admissions, fees, rentals and concessions	257,144	-	-	257,144
Interest	5,188	184	4,912	10,284
Other	7,336	-	21,180	28,516
Total revenues	<u>2,719,775</u>	<u>166,830</u>	<u>6,686,724</u>	<u>9,573,329</u>
EXPENDITURES				
Current Operations:				
Personnel Services	3,755,887	-	-	3,755,887
Supplies	575,273	87,689	-	662,962
Other Services and Charges	996,456	20,935	142,456	1,159,847
Capital Outlay	137,470	64,596	-	202,066
Debt Service:				
Principal	-	-	6,430,000	6,430,000
Interest and service charges	53,190	-	425,372	478,562
Total expenditures	<u>5,518,276</u>	<u>173,220</u>	<u>6,997,828</u>	<u>12,689,324</u>
Excess (deficiency) of revenues over expenditures	<u>(2,798,501)</u>	<u>(6,390)</u>	<u>(311,104)</u>	<u>(3,115,995)</u>
OTHER FINANCING SOURCES				
Transfers in:				
General Fund	2,981,974	90,757	130,057	3,202,788
Proceeds of tax increment bonds	-	-	-	-
Transfers out:				
Debt Service Fund	-	-	-	-
Total other financing sources	<u>2,981,974</u>	<u>90,757</u>	<u>130,057</u>	<u>3,202,788</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>183,473</u>	<u>84,367</u>	<u>(181,047)</u>	<u>86,793</u>
Fund balances at beginning of year	<u>1,030,982</u>	<u>139,966</u>	<u>187,400</u>	<u>1,358,348</u>
Fund balances at end of year	<u>\$ 1,214,455</u>	<u>\$ 224,333</u>	<u>\$ 6,353</u>	<u>\$ 1,445,141</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects

1982 Industrial Park Bond	1988 Construction Bond	1994 GO Bond Capital Improvement	1996 Metro Station	2007 Tax Increment Bond	2009 Tax Increment Bond	2009 Tax Increment Bond	2009 Tax Increment Bond	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,799,174
-	-	-	-	-	-	-	-	-	478,211
-	-	-	-	-	-	-	-	-	257,144
218	42	189	-	22	-	4	-	475	10,759
6,857	-	-	-	-	-	-	-	6,857	35,373
7,075	42	189	-	22	-	4	-	7,332	9,580,661
-	-	-	-	-	-	-	-	-	3,755,887
-	-	-	-	-	-	-	-	-	662,962
-	-	-	-	-	406,774	1,599,845	368,123	2,374,742	3,534,589
-	-	-	-	-	-	-	-	-	202,066
-	-	-	-	-	-	-	-	-	6,430,000
-	-	-	-	-	-	-	-	-	478,562
-	-	-	-	-	406,774	1,599,845	368,123	2,374,742	15,064,066
7,075	42	189	-	22	(406,774)	(1,599,841)	(368,123)	(2,367,410)	(5,483,405)
-	-	-	-	-	-	-	-	-	3,202,788
-	-	-	-	-	407,000	1,600,000	375,000	2,382,000	2,382,000
-	-	-	-	(17,371)	-	-	-	(17,371)	(17,371)
-	-	-	-	(17,371)	407,000	1,600,000	375,000	2,364,629	5,567,417
7,075	42	189	-	(17,349)	226	159	6,877	(2,781)	84,012
46,711	9,239	28,935	11,416	17,349	-	-	-	113,650	1,471,998
\$ 53,786	\$ 9,281	\$ 29,124	\$ 11,416	\$ -	\$ 226	\$ 159	\$ 6,877	\$ 110,869	\$ 1,556,010

City of Jackson
Parks and Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budget Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 2,343,926	\$ 2,343,926	\$ 2,328,570	\$ (15,356)
Intergovernmental	185,000	190,135	121,537	(68,598)
Admissions, fees, rentals and concessions	301,391	301,391	257,144	(44,247)
Interest	16,200	16,200	5,188	(11,012)
Other	6,100	6,100	7,336	1,236
Total revenues	<u>2,852,617</u>	<u>2,857,752</u>	<u>2,719,775</u>	<u>(137,977)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	4,151,795	3,875,300	3,755,887	119,413
Supplies	820,936	808,448	575,498	232,950
Other Services and Charges	1,243,526	1,297,402	996,456	300,946
Capital Outlay	265,903	195,230	137,245	57,985
Debt Service:				
Principal	-	-	-	-
Interest and service charges	-	-	53,190	(53,190)
Total expenditures	<u>6,482,160</u>	<u>6,176,380</u>	<u>5,518,276</u>	<u>658,104</u>
Excess (deficiency) of revenues over expenditures	<u>(3,629,543)</u>	<u>(3,318,628)</u>	<u>(2,798,501)</u>	<u>520,127</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	3,424,929	2,981,974	2,981,974	-
Total other financing sources (uses)	<u>3,424,929</u>	<u>2,981,974</u>	<u>2,981,974</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>(204,614)</u>	<u>(336,654)</u>	<u>183,473</u>	<u>520,127</u>
Fund balances at beginning of year	<u>1,030,982</u>	<u>1,030,982</u>	<u>1,030,982</u>	<u>-</u>
Fund balances at end of year	<u>\$ 826,368</u>	<u>\$ 694,328</u>	<u>\$ 1,214,455</u>	<u>\$ 520,127</u>

City of Jackson
State Grants Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budget Amount</u>		<u>Actual Amount</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 417,223	\$ 429,219	\$ 166,646	(262,573)
Interest	-	-	184	184
Total revenues	<u>417,223</u>	<u>429,219</u>	<u>166,830</u>	<u>(262,389)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	120,755	1,235	-	1,235
Supplies	44,016	112,150	87,689	24,461
Other Services and Charges	161,623	314,046	20,935	293,111
Capital Outlay	<u>99,583</u>	<u>92,423</u>	<u>64,596</u>	<u>27,827</u>
Total expenditures	<u>425,977</u>	<u>519,854</u>	<u>173,220</u>	<u>346,634</u>
Excess (deficiency) of revenues over expenditures	<u>(8,754)</u>	<u>(90,635)</u>	<u>(6,390)</u>	<u>84,245</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	<u>8,754</u>	<u>90,635</u>	<u>90,757</u>	<u>122</u>
Total other financing sources (uses)	<u>8,754</u>	<u>90,635</u>	<u>90,757</u>	<u>122</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	-	84,367	84,367
Fund balances at beginning of year	<u>139,966</u>	<u>139,966</u>	<u>139,966</u>	<u>-</u>
Fund balances at end of year	<u>\$ 139,966</u>	<u>\$ 139,966</u>	<u>\$ 224,333</u>	<u>\$ 84,367</u>

City of Jackson
Disability and Relief Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budget Amount</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	<u>Final Budget -</u>
				<u>positive(negative)</u>
REVENUES				
General property taxes	\$ 6,710,267	\$ 6,710,267	\$ 6,470,604	\$ (239,663)
Intergovernmental	-	-	190,028	190,028
Interest	12,000	12,000	4,912	(7,088)
Other	21,893	21,893	21,180	(713)
Total revenues	<u>6,744,160</u>	<u>6,744,160</u>	<u>6,686,724</u>	<u>(57,436)</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	148,737	148,737	142,456	6,281
Debt Service:				
Principal	6,430,000	6,430,000	6,430,000	-
Interest and service charges	425,480	425,480	425,372	108
Total expenditures	<u>7,004,217</u>	<u>7,004,217</u>	<u>6,997,828</u>	<u>6,389</u>
Excess (deficiency) of revenues over expenditures	<u>(260,057)</u>	<u>(260,057)</u>	<u>(311,104)</u>	<u>51,047</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in:				
General Fund	238,304	130,057	130,057	-
Total other financing sources (uses)	<u>238,304</u>	<u>130,057</u>	<u>130,057</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(21,753)	(130,000)	(181,047)	51,047
Fund balances at beginning of year	<u>187,400</u>	<u>187,400</u>	<u>187,400</u>	<u>-</u>
Fund balances at end of year	<u>\$ 165,647</u>	<u>\$ 57,400</u>	<u>\$ 6,353</u>	<u>\$ 51,047</u>

City of Jackson
1982 Industrial Park Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 218	\$ 218
Other	-	-	6,857	6,857
Total revenues	-	-	7,075	7,075
EXPENDITURES				
Current Operations:				
Other Services and Charges	46,083	46,083	-	46,083
Total expenditures	46,083	46,083	-	46,083
Deficiency of revenues over (under) expenditures	(46,083)	(46,083)	7,075	53,158
Net change in fund balances	(46,083)	(46,083)	7,075	53,158
Fund balances at beginning of year	46,711	46,711	46,711	-
Fund balances at end of year	<u>\$ 628</u>	<u>\$ 628</u>	<u>\$ 53,786</u>	<u>\$ 53,158</u>

City of Jackson
1988 Construction Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 42	\$ 42
Total revenues	-	-	42	42
EXPENDITURES				
Current Operations:				
Other Services and Charges	-	-	-	-
Total expenditures	-	-	-	-
Deficiency of revenues over (under) expenditures	-	-	42	42
Net change in fund balances	-	-	42	42
Fund balances at beginning of year	-	-	9,239	(9,239)
Fund balances at end of year	\$ -	\$ -	\$ 9,281	\$ 9,281

City of Jackson
1994 GO Bond Capital Improvement Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 189	\$ 189
Total revenues	-	-	189	189
EXPENDITURES				
Current Operations:				
Other Services and Charges	41,075	41,075	-	41,075
Total expenditures	41,075	41,075	-	41,075
Deficiency of revenues over (under) expenditures	(41,075)	(41,075)	189	41,264
Net change in fund balances	(41,075)	(41,075)	189	41,264
Fund balances at beginning of year	28,935	28,935	28,935	-
Fund balances at end of year	<u>\$ (12,140)</u>	<u>\$ (12,140)</u>	<u>\$ 29,124</u>	<u>\$ 41,264</u>

City of Jackson
1996 Metro Station Construction Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current Operations:				
Other Services and Charges	-	-	-	-
Total expenditures	-	-	-	-
Deficiency of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	-	-	11,416	(11,416)
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,416</u>	<u>\$ 11,416</u>

City of Jackson
2007 Tax Increment Financing Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 22	\$ 22
Total revenues	-	-	22	22
EXPENDITURES				
Current Operations:				
Other Services and Charges	-	-	-	-
Total expenditures	-	-	-	-
Deficiency of revenues over (under) expenditures	-	-	22	22
OTHER FINANCING SOURCES (USES)				
Transfers out:				
Debt Service Fund	-	-	(17,371)	17,371
Total other financing sources (uses)	-	-	(17,371)	17,371
Net change in fund balances	-	-	(17,349)	(17,349)
Fund balances at beginning of year	-	-	17,349	17,349
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Jackson
2009 Tax Increment Financing Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current Operations:				
Other Services and Charges	-	407,000	406,774	226
Total expenditures	-	407,000	406,774	226
Deficiency of revenues over (under) expenditures	-	(407,000)	(406,774)	226
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Proceeds from Tax Increment Bonds	-	407,000	407,000	-
Total other financing sources (uses)	-	407,000	407,000	-
Net change in fund balances	-	-	226	226
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ 226	\$ 226

City of Jackson
2009 Tax Increment Financing Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 4	\$ 4
Total revenues	-	-	4	4
EXPENDITURES				
Current Operations:				
Other Services and Charges	-	1,600,000	1,599,845	155
Total expenditures	-	1,600,000	1,599,845	155
Deficiency of revenues over (under) expenditures	-	(1,600,000)	(1,599,841)	159
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Proceeds from Tax Increment Bonds	-	1,600,000	1,600,000	-
Total other financing sources (uses)	-	1,600,000	1,600,000	-
Net change in fund balances	-	-	159	159
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ 159	\$ 159

City of Jackson
2009 Tax Increment Financing Bond Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Current Operations:				
Other services and charges	-	375,000	368,123	6,877
Total expenditures	-	375,000	368,123	6,877
Deficiency of revenues over (under) expenditures	-	(375,000)	(368,123)	6,877
OTHER FINANCING SOURCES(USES)				
Transfers in	-	-	-	-
Proceeds from Tax Increment Financing Bond	-	375,000	375,000	-
Total other financing sources and uses	-	375,000	375,000	-
Net change in fund balances	-	-	6,877	6,877
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,877</u>	<u>\$ 6,877</u>

The notes to the financial statements are an integral part of this statement.

**NON-MAJOR
ENTERPRISE FUNDS**

Nonmajor Proprietary

Madison Sewage Disposal System Fund

To account for costs of construction, operation and maintenance of the East Madison County Sewage Disposal System. The City of Ridgeland, Mississippi will be responsible for the service contracts with Madison County participating in the system.

Transportation Fund

To account for operational costs of the City's transit system. Deficiencies in revenues over expenses are financed by the City.

City of Jackson
Combining Statement of Net Assets
Proprietary Funds - Nonmajor Funds
As of September 30, 2009

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalent	\$ -	\$ -	\$ -
Intergovernmental Receivable	-	1,982,991	1,982,991
Total Current Asset	<u>-</u>	<u>1,982,991</u>	<u>1,982,991</u>
Property, Plant and Equipment, at Cost			
Land	-	450,000	450,000
Buildings	-	186,007	186,007
Water plant, distribution system and equipment	496,492	410,690	907,182
Automotive and other equipment	<u>-</u>	<u>13,672,555</u>	<u>13,672,555</u>
	496,492	14,719,252	15,215,744
Less: accumulated depreciation	<u>(178,571)</u>	<u>(10,900,096)</u>	<u>(11,078,667)</u>
	317,921	3,819,156	4,137,077
Construction in progress	<u>13,800</u>	<u>-</u>	<u>13,800</u>
Net property, plant and equipment	<u>331,721</u>	<u>3,819,156</u>	<u>4,150,877</u>
Total Assets	<u><u>\$ 331,721</u></u>	<u><u>\$ 5,802,147</u></u>	<u><u>\$ 6,133,868</u></u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Combining Statement of Net Assets
Proprietary Funds - Nonmajor Funds
As of September 30, 2009

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 4,764	\$ 191,784	\$ 196,548
Due to other funds	-	2,960,061	2,960,061
Compensated absences	-	66,488	66,488
Current portion of long term debt:			
Lease Obligations	-	239,935	239,935
	<u>4,764</u>	<u>3,458,268</u>	<u>3,463,032</u>
 Total current liabilities			
	<u>4,764</u>	<u>3,458,268</u>	<u>3,463,032</u>
 Long Term Debt (less amounts classified as current liabilities):			
Lease obligations	-	956,186	956,186
Total long-term debt	-	956,186	956,186
Total liabilities	<u>4,764</u>	<u>4,414,454</u>	<u>4,419,218</u>
 NET ASSETS			
Invested in Capital Assets, net of related debt	331,721	2,623,035	2,954,756
Restricted for debt service	-	-	-
Unrestricted	<u>(4,764)</u>	<u>(1,235,342)</u>	<u>(1,240,106)</u>
Total Net Assets	<u>326,957</u>	<u>1,387,693</u>	<u>1,714,650</u>
Total liabilities and net assets	<u><u>\$ 331,721</u></u>	<u><u>\$ 5,802,147</u></u>	<u><u>\$ 6,133,868</u></u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds - Nonmajor Funds
For the Year Ended September 30, 2009

	Madison Sewage	Transportation	Totals
Operating Revenues:			
Sales to Customers	\$ -	\$ 360,476	\$ 360,476
Other Revenue	-	480,000	480,000
Total Operating revenues	-	840,476	840,476
Operating Expenses:			
Personnel Services	27,952	209,007	236,959
Supplies	-	541,169	541,169
Other services and charges	57,923	6,323,308	6,381,231
Depreciation	11,267	819,433	830,700
Total operating expenses	97,142	7,892,917	7,990,059
Operating Income (loss)	(97,142)	(7,052,441)	(7,149,583)
Nonoperating Revenues (Expenses):			
Interest revenue	-	732	732
Total nonoperating revenues (expenses)	-	732	732
Loss before contributions and transfers	(97,142)	(7,051,709)	(7,148,851)
Capital contributions from grants	-	1,740,949	1,740,949
Operating Transfers In:			
General Fund	-	4,027,402	4,027,402
Enterprise Funds	133,473	-	133,473
Total transfers in (out)	133,473	4,027,402	4,160,875
Change in Net Assets	36,331	(1,283,358)	(1,247,027)
Total net assets - beginning	290,626	2,671,051	2,961,677
Total net assets - ending	\$ 326,957	\$ 1,387,693	\$ 1,714,650

The notes to the financial statements are an integral part of this statement.

City of Jackson
Combining Statement of Cash Flows
Proprietary Funds - Nonmajor Funds
For the year ended September 30, 2009

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from customers and users	\$ -	\$ 360,476	\$ 360,476
Receipts from other revenue	-	882,221	882,221
Payments to suppliers	(62,873)	(7,757,593)	(7,820,466)
Payments to employees	(27,952)	(209,007)	(236,959)
Net cash used for			
Operating activities	(90,825)	(6,723,903)	(6,814,728)
Cash Flows from Noncapital Financing Activities			
Transfers In	133,473	4,027,402	4,160,875
Net cash provided by noncapital			
financing activities)	133,473	4,027,402	4,160,875
Cash Flows from Capital and Related			
Financing Activities			
Acquisition and construction of capital assets	(42,648)	(593,767)	(636,415)
Proceeds from sales of capital assets	-	771,442	771,442
Proceeds from capital debt	-	908,536	908,536
Principal paid on capital debt	-	(131,391)	(131,391)
Interest paid on capital debt			
Proceeds from capital contributions	-	1,740,949	1,740,949
Net cash provided by capital and related			
financing activities	(42,648)	2,695,769	2,653,121
Cash Flow Provided by Investing Activities:			
Interest on investments	-	732	732
Net cash provided by investing activities	-	732	732
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash			
Used for Operating Activities:			
Operating loss	\$ (97,142)	\$ (7,052,441)	\$ (7,149,583)
Depreciation expense	11,267	819,433	830,700
(Increase) decrease in other receivable	-	402,222	402,222
Increase (decrease) in due to other funds	-	(1,071,381)	(1,071,381)
Increase (decrease) in accounts payable	(4,950)	178,264	173,314
Total adjustments	6,317	328,538	334,855
Net cash provided by operating activities	\$ (90,825)	\$ (6,723,903)	\$ (6,814,728)

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

Fiduciary Funds

Unemployment Compensation Revolving Fund

To account for money held in trust to fund unemployment claims pursuant to State law.

Charitable Trust Fire and Police Fund

To account for contributions from the public sector which are held in trust for police and fire allowable claims.

Mausoleum Trust Fund

To account for funds to be used for maintenance and upkeep of the Henry Mausoleum located in Kernaghan Cemetery.

Tax Collections

To account for receipt of tax collections for and subsequent payment to the Jackson/Hinds Library System, Jackson Municipal Separate School District, Capital City Community Convention Center, and Jackson Convention & Visitors Bureau.

**CITY OF JACKSON
ALL TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Unemployment Compensation Revolving Fund	Charitable Trust Fire and Police Fund	Mausoleum Trust Fund	Total
Assets				
Cash and cash equivalents	\$ 211,038	\$ 8,731	\$ 2,243	\$ 222,012
Investment at fair value:				
Certificate of deposit	-	-	30,000	30,000
Total assets	<u>\$ 211,038</u>	<u>\$ 8,731</u>	<u>\$ 32,243</u>	<u>\$ 252,012</u>
Liabilities and Net Assets				
Liabilities:				
Payables to others	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets:				
Held in trust	<u>211,038</u>	<u>8,731</u>	<u>32,243</u>	<u>252,012</u>
Total net assets	<u>211,038</u>	<u>8,731</u>	<u>32,243</u>	<u>252,012</u>
Total liabilities and net assets	<u>\$ 211,038</u>	<u>\$ 8,731</u>	<u>\$ 32,243</u>	<u>\$ 252,012</u>

**CITY OF JACKSON
ALL TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Unemployment Compensation Revolving Fund	Charitable Trust Fire and Police Fund	Mausoleum Trust Fund	Total
Additions:				
Interest	\$ 932	\$ 248	\$ 369	\$ 1,549
Other additions	<u>169,000</u>	<u>-</u>	<u>-</u>	<u>169,000</u>
Total additions	<u>169,932</u>	<u>248</u>	<u>369</u>	<u>170,549</u>
Deductions:				
General government Trust funds	<u>141,752</u>	<u>-</u>	<u>-</u>	<u>141,752</u>
Total deductions	<u>141,752</u>	<u>-</u>	<u>-</u>	<u>141,752</u>
Change in Net Assets	28,180	248	369	28,797
Net assets at beginning of year	<u>182,858</u>	<u>8,483</u>	<u>31,874</u>	<u>223,215</u>
Net assets at end of year	<u>\$ 211,038</u>	<u>\$ 8,731</u>	<u>\$ 32,243</u>	<u>\$ 252,012</u>

**CITY OF JACKSON
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>ASSETS</u>		<u>LIABILITIES</u>	
	Cash and Cash Equivalents	Total Assets	Other Liabilities	Total Liabilities
Capital City Community Convention Center				
Balance at October 1, 2008	\$ 9,786	\$ 9,786	\$ 9,786	\$ 9,786
Additions	4,256,885	4,256,885	4,256,885	4,256,885
Deductions	4,256,399	4,256,399	4,256,399	4,256,399
Balance at September 30, 2009	<u>\$ 10,272</u>	<u>\$ 10,272</u>	<u>\$ 10,272</u>	<u>\$ 10,272</u>
Jackson Convention & Visitors Bureau				
Balance at October 1, 2008	\$ 130	\$ 130	\$ 130	\$ 130
Additions	3,203,957	3,203,957	3,203,957	3,203,957
Deductions	3,203,957	3,203,957	3,203,957	3,203,957
Balance at September 30, 2009	<u>\$ 130</u>	<u>\$ 130</u>	<u>\$ 130</u>	<u>\$ 130</u>
Jackson/Hinds Library System				
Balance at October 1, 2008	\$ -	\$ -	\$ -	\$ -
Additions	1,427,719	1,427,719	1,427,719	1,427,719
Deductions	1,427,719	1,427,719	1,427,719	1,427,719
Balance at September 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Jackson Municipal Separate School District				
Balance at October 1, 2008	\$ -	\$ -	\$ -	\$ -
Additions	9,579,021	9,579,021	9,579,021	9,579,021
Deductions	9,562,569	9,562,569	9,562,569	9,562,569
Balance at September 30, 2009	<u>\$ 16,452</u>	<u>\$ 16,452</u>	<u>\$ 16,452</u>	<u>\$ 16,452</u>
Total - All Agency Funds:				
Balance at October 1, 2008	\$ 9,916	\$ 9,916	\$ 9,916	\$ 9,916
Additions	18,467,582	18,467,582	18,467,582	18,467,582
Deductions	18,450,644	18,450,644	18,450,644	18,450,644
Balance at September 30, 2009	<u>\$ 26,854</u>	<u>\$ 26,854</u>	<u>\$ 26,854</u>	<u>\$ 26,854</u>

CAPITAL ASSETS

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE (1)
SEPTEMBER 30, 2009 AND 2008

	2009	2008
Governmental funds capital assets:		
Land	\$ 14,528,418	\$ 14,521,418
Buildings	80,155,452	80,122,887
Automotive and equipment:	75,873,947	70,960,561
Infrastructure	214,244,644	214,444,522
Construction in progress	72,311,747	50,608,592
	<u>457,114,208</u>	<u>430,657,980</u>
Total governmental funds capital assets	\$ <u>457,114,208</u>	\$ <u>430,657,980</u>

Investment in governmental funds capital assets by source:

Assets prior to 1985 not segregated		
by sources	\$ 14,002,713	\$ 14,002,713
General Fund revenues	83,514,444	78,761,372
Special Revenue Fund revenues	93,403,588	88,343,358
Special Assessment bonds	2,120,876	1,962,957
General Obligation bonds	220,332,595	204,185,626
Limited Obligation bonds	4,330,429	4,330,429
Debt Service Fund revenues	65,000	65,000
Federal grants	38,861,353	38,523,316
State grants	52,261	52,261
County grants	430,949	430,948
	<u>457,114,208</u>	<u>430,657,980</u>
Total governmental funds capital assets	\$ <u>457,114,208</u>	\$ <u>430,657,980</u>

(1) This schedule presents only the capital asset balances (excluding accumulated depreciation) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (1)
SEPTEMBER 30, 2009

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Assets prior to 1985 not segregated by function and activity	\$ 10,957,843	\$ -	\$ -	\$ 3,044,869	\$ -	\$ 14,002,712
General Government:						
Planning	486,406	43,001	39,349	331,205	2,563,694	3,463,655
Code Services	-	-	-	774,309	-	774,309
Telecommunication	-	4,554,834	8,943	116,018	-	4,679,795
Data Processing / Information System	-	2,400	-	5,817,515	-	5,819,915
Vehicle Pool Fund	-	-	-	884,211	-	884,211
Mayor's Office of Development Assistance	100,000	-	-	104,679	-	204,679
Office Services	-	-	-	146,335	-	146,335
Purchasing	-	-	-	50,452	-	50,452
Finance and Management	-	2,299,392	133,238	260,633	-	2,693,263
Personnel	-	-	-	220,931	-	220,931
Municipal Court Services	-	-	-	1,449,028	712,767	2,161,795
Vehicle Maintenance	-	5,816	-	709,806	-	715,622
Minority Business Development	-	-	-	27,598	-	27,598
Total general government	586,406	6,905,443	181,530	10,892,720	3,276,461	21,842,560
Urban Development and Housing:						
Neighborhood Enhancement Task	-	-	-	11,125	-	11,125
Redevelopment Projects	87,578	-	-	69,874	-	157,452
Post Office Project	500	-	-	-	-	500
Union Station	-	15,044,796	243,000	-	-	15,287,796
Total urban development and housing	88,078	15,044,796	243,000	80,999	-	15,456,873
Health and Welfare:						
Public Relations/Information	-	-	-	14,829	-	14,829
Senior Services	-	251,344	-	501,563	-	752,907
Day Care Services	-	281,849	16,109	239,348	-	537,306
Senior Centers/Community Centers	-	1,271,615	-	33,582	-	1,305,197
Group Home	46,245	-	-	-	-	46,245
Human and Cultural Services	-	15,645	1,876	25,364	-	42,885
Total health and welfare	46,245	1,820,453	17,985	814,686	-	2,699,369

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)
SEPTEMBER 30, 2009

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Public Safety:						
Fire Department	\$ 75,000	\$ 5,300,973	\$ 3,550,734	\$ 16,403,399	\$ 601,394	\$ 25,931,500
Police Department	123,992	6,037,047	856,190	30,467,018	12,125,554	49,609,800
Small Animal Control	-	1,366,367	-	17,746	-	1,384,113
Juvenile Justice	-	431,482	4,502,506	86,199	-	5,020,187
Emergency Management	-	-	-	17,914	-	17,914
Communication Center	-	1,292,879	-	300,903	-	1,593,782
Public Safety Garage	-	-	-	29,060	-	29,060
Total public safety	198,992	14,428,748	8,909,430	47,322,239	12,726,948	83,586,357
Public Works:						
Cemeteries	-	8,430	-	143,318	-	151,748
Engineering	585,273	1,020,866	-	5,174,727	-	6,780,866
Traffic Engineering	-	17,215	18,476	2,350,720	1,348,718	3,735,129
Traffic Signals	-	-	442,038	337,813	9,974,563	10,754,414
Care and Maintenance of Public Buildings	-	6,567,689	429,703	219,264	2,848,217	10,064,873
Custodial Services	-	-	-	131,612	-	131,612
Public Works Deputy Dir/Adm	-	-	-	29,844	-	29,844
Pest Control	-	-	-	1,426	-	1,426
Central Supply	-	-	-	(65)	-	(65)
Streets	354,278	-	126,133,471	322,493	33,080,846	159,891,088
Storm Drainage	-	-	69,621,367	166,142	4,634,142	74,421,651
Bridges	-	-	23,032	-	-	23,032
Soil Conservation	-	120,000	112,159	-	-	232,159
Total public works	939,551	7,734,200	196,780,246	8,877,294	51,886,486	266,217,777
Culture and Recreation:						
Planetarium	-	827,314	-	493,349	34,963	1,355,626
Jackson Zoological Park	-	3,000,000	-	465,125	-	3,465,125
Municipal Art Building	-	5,758	29,049	5,907	-	40,714
Parks and Recreation	225,820	16,643,300	7,386,535	2,697,380	282,503	27,235,538
Teen Center	-	-	-	5,293	-	5,293
Library	-	5,710,933	-	156,099	2,454,157	8,321,189
Smith Robertson Cultural Center	-	1,238,810	185,738	47,088	14,015	1,485,651
City Auditorium and Art Center	-	3,849,374	511,131	64,922	1,636,214	6,061,641
Total culture and recreation	225,820	31,275,489	8,112,453	3,935,163	4,421,852	47,970,777

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)
SEPTEMBER 30, 2009

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Miscellaneous:						
City Council/Mayor	\$ -	\$ 402,665	\$ -	\$ 397,764	\$ -	\$ 800,429
City Clerk	-	-	-	179,611	-	179,611
City Hall	-	2,526,372	-	-	-	2,526,372
Legal	-	17,287	-	272,048	-	289,335
Mayor's Action Line	-	-	-	34,862	-	34,862
Industrial Park	1,485,483	-	-	-	-	1,485,483
Internal Audit	-	-	-	21,692	-	21,692
Total miscellaneous	<u>1,485,483</u>	<u>2,946,324</u>	<u>-</u>	<u>905,977</u>	<u>-</u>	<u>5,337,784</u>
Total governmental funds capital assets	<u>\$ 14,528,418</u>	<u>\$ 80,155,452</u>	<u>\$ 214,244,644</u>	<u>\$ 75,873,947</u>	<u>\$ 72,311,747</u>	<u>\$ 457,114,208</u>

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY(1)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Governmental Funds Capital Assets October 1, 2008	Additions	Deductions	Governmental Funds Capital Assets September 30, 2009
General Government:				
Planning	\$ 1,715,556	\$ 413,923	\$ 59,044	\$ 2,070,435
Code Services	664,300	1,982	1,850	664,432
Information Systems	878,053	58,381	10,632	925,802
Transportation	10,192,613	-	-	10,192,613
Data Processing	1,575,952	-	-	1,575,952
Vehicle Pool	175,800	138,160	-	313,960
Telecommunications	10,301,909	18,678	1,800	10,318,787
Office Services	1,669	-	-	1,669
Purchasing	50,839	-	-	50,839
Finance and Management	7,685,645	-	5,199	7,680,446
Personnel	133,131	-	1,850	131,281
Municipal Court Services	1,944,945	-	-	1,944,945
Vehicle Maintenance	1,561,184	54,964	-	1,616,148
Total general government	36,881,596	686,088	80,375	37,487,309
Urban Development and Housing:				
Redevelopment Projects	272,751	-	-	272,751
Union Station	13,448,496	-	-	13,448,496
Total urban development and housing	13,721,247	-	-	13,721,247
Health and Welfare:				
Senior Services	830,210	26,222	-	856,432
Day Care Services	1,181,186	10,714	-	1,191,900
Senior Centers/Community Centers	630,024	-	-	630,024
Human and Cultural Services	1,368,867	899	20,996	1,348,770
Total health and welfare	4,010,287	37,835	20,996	4,027,126

(Continued)

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Governmental Funds Capital Assets October 1, 2008	Additions	Deductions	Governmental Funds Capital Assets September 30, 2009
Public Safety:				
Fire Department	\$ 30,080,038	\$ 399,945	\$ 21,234	\$ 30,458,749
Police Department	43,571,567	3,275,050	27,709	46,818,908
Small Animal Control	1,714,102	-	-	1,714,102
Juvenile Justice	11,693,078	-	-	11,693,078
Communication Center	4,120,964	-	-	4,120,964
Public Safety Garage	230,776	-	-	230,776
Total public safety	91,410,525	3,674,995	48,943	95,036,577
Public Works:				
Cemeteries	356,014	-	-	356,014
Engineering	3,635,654	895,858	-	4,531,512
Traffic Engineering	10,772,250	3,268,747	199,878	13,841,119
Public Works Administration	-	3,040	49,132	(46,092)
Care and Maintenance of Public Buildings	10,500,276	2,335,230	-	12,835,506
Custodial Services	131,717	150	-	131,867
Pest Control	10,452	-	-	10,452
Central Sup[ply	709,337	-	-	709,337
Streets	138,762,371	14,659,694	1,669	153,420,396
Storm Drainage	60,224,259	769,141	2,305	60,991,095
Soil Conservation	482,909	-	-	482,909
Total public works	225,585,239	21,931,860	252,984	247,264,115
Culture and Recreation:				
Planetarium	4,779,879	-	5,050	4,774,829
Jackson Zoological Park	3,515,393	-	-	3,515,393
Municipal Art Building	75,838	-	-	75,838
Parks and Recreation	17,831,242	138,308	10,475	17,959,075
Library	10,243,823	384,830	-	10,628,653
Smith Robertson Cultural Center	2,689,369	26,950	-	2,716,319
City Auditorium and Art Center	13,243,924	-	-	13,243,924
Total culture and recreation	52,379,468	550,088	15,525	52,914,031

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Governmental Funds Capital Assets October 1, 2008	Additions	Deductions	Governmental Funds Capital Assets September 30, 2009
Miscellaneous:				
City Council/Mayor	\$ 6,380,035	\$ 18,898	\$ 14,879	\$ 6,384,054
City Clerk	62,926	-	4,097	58,829
Legal	189,412	2,814	2,998	189,228
Mayor's Action Line	13,227	-	5,553	7,674
Internal Audit	24,018	-	-	24,018
Total miscellaneous	6,669,618	21,712	27,527	6,663,803
Total governmental funds capital assets	\$ 430,657,980	\$ 26,902,578	\$ 446,350	\$ 457,114,208

APPENDIX C
CITY OF JACKSON LEASE

Execution Copy

LEASE AGREEMENT
BETWEEN
RETRO METRO, LLC
AND
THE CITY OF JACKSON, MISSISSIPPI

LEASE AGREEMENT

THIS LEASE AGREEMENT (hereinafter referred to as the "Lease"), is made and entered into effective as of on the ____ day of April, 2011 by and between RETRO METRO, LLC(hereinafter called "Landlord") and the CITY OF JACKSON, MISSISSIPPI (hereinafter called "Tenant").

ARTICLE I DEFINITIONS

- 1.1 **"Basic Costs"** (Intentionally left blank)
- 1.2 **"Basic Costs Base Rate"** (Intentionally left blank)
- 1.3 **"Base Rental"** for the first five years of the Term of the Lease shall equal \$487,000 annually for approximately 60,000 square feet of Premises, to be paid in advance in equal monthly installments of \$40,583.33 on the first calendar day of the month. The Base Rental shall increase every five years thereafter according to the Consumer Price Index for Urban Wage and Clerical Workers ("CPI-U") maintained by the U.S. Bureau of Labor statistics ("CPI-Adjustments"). In no event shall the Base Rental be lower than the most recently established rent figure of the previous year. Any such increase in Base Rental based on the CPI-U shall be effective on the October rent payment for any year commencing 2016. Landlord shall provide Tenant with no less than one hundred and twenty (120) days written notice of such CPI-U increase.
- 1.4 **"Building"** shall mean the former Belk's Building, an anchor building of the Metro Center Mall, 3645 Highway 80 West, Jackson, Hinds County, Mississippi, 39209 and being the structure and improvements now or hereafter constructed on the tract of land (the "Land").
- 1.5 **"Building Architect"** shall mean M3A Architecture, PLLC, 4880 McWillie Circle, Jackson, Mississippi 39206.
- 1.6 **"Building Standard Improvements" or "Building Standard"** shall mean the type, brand and/or quality of improvements or materials Landlord designates from time to time to be the minimum quality to be used in the Building or the exclusive type, grade or quality of improvement or material to be used in the Building.
- 1.7 **"Commencement Date"** shall mean the later of July 1, 2011, or the date specified in Section 2.2 hereof.

1.8 **"Common Areas"** shall mean those areas within the Building or the Project devoted to corridors, parking lots, drives, landscaping, fencing, gates, sidewalks, elevator foyers, restrooms, mechanical rooms, janitorial closets, electrical and telephone closets, vending areas, and other similar facilities provided for the common use or benefit of tenants generally and/or the public.

1.9 **"Lease Term"** shall mean the term commencing on the Commencement Date and continuing until two hundred forty (240) full months after the first day of the first full month following the Commencement Date, unless sooner terminated as hereinafter provided. The Tenant shall have the option to renew this Lease for two (2) additional periods of five (5) years each on the same terms and conditions provided herein except for the Base Rental price, which is to be negotiated at the time of the exercise of each option to renew by the Tenant. The Tenant shall exercise this option by giving written notice to the Landlord at least one (1) year prior to expiration of the original term and any additional renewal term. The Tenant shall not have the right to renew this Lease if the Tenant is in default under the terms of this Lease. The Base Rental amount for each renewal term shall be negotiated in good faith by Tenant and Landlord.

1.10 **"Net Rentable Area in the Building" and "Net Rentable Area in the Premises"** are defined as follows.

A. Net Rentable Area in the Building shall refer to all floor areas, including the amount of floor area on each floor for multiple floor portions of the Building, measured from the inside surface of the outer glass or finished column or exterior walls of the Building, excluding the Common Area.

B. Net Rentable Area in the Premises shall refer to all floor areas, including the amount of floor area on each floor for multiple floor Premises, within the inside surface of the outer glass or finished column or exterior wall enclosing the Premises measured to the mid-point of the walls separating areas leased by or held for lease to other tenants or from areas devoted to Common Areas, excluding the Common Areas.

C. No deductions from Net Rentable Area are made for columns or projections necessary to the Building. The Net Rentable Area in the Premises shall be determined by written agreement between the Tenant and the Landlord prior to the Commencement Date. In the event of the sale or other disposition of a portion of the Building, the Net Rentable Area in the Building shall be reduced by the square footage sold or disposed of.

1.11 **"Premises"** shall mean that portion of the Building as shall be mutually agreed upon by the parties hereto, and as shown on the floor plan to be attached hereto as Exhibit "B" and incorporated herein by reference for all purposes upon such agreement. The Premises will

contain approximately 60,000 square feet ("Square Feet of Premises"), for purposes of the paying the Base Rental, as depicted in the Floor Plan, attached as Exhibit "B." A final determination of any increase in the Square Feet of Premises will be made by written agreement between Landlord and Tenant prior to the Commencement Date.

1.12 "Project" shall mean the Land and the Building, the Common Areas, the Service Areas, the parking facilities, and improvements, landscaping, fixtures, appurtenances and other common areas now or hereafter placed, constructed or erected thereon.

1.13 "Service Areas" shall mean those areas within the Building and the Project used for elevators, mechanical rooms, building stairs, elevator shafts, flues, vents, stacks, pipe shafts, and vertical ducts (but shall not include any such areas for the exclusive use of any particular tenant such as special stairs or elevators), to which Tenant and other occupants of the Building will not have access.

ARTICLE II LEASE

2.1 Lease Grant.

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises for the Lease Term, subject to and upon the terms and provisions set forth herein. Tenant hereby consents to the validation of this Lease Agreement by the Chancery Court of Hinds County and agrees to cooperate in all respects to timely secure such validation.

2.2 Lease Term.

- (a) The term of this Lease shall commence on the Commencement Date and shall continue thereafter until the expiration of the Lease Term, unless this Lease is sooner terminated or extended to a later date under any other terms or provisions hereof.
- (b) If by the date specified in Section 1.7 hereof the Premises have not been substantially completed pursuant to the Plans and Specifications, attached hereto as Exhibit "C" and incorporated herein by reference for all purposes, or are otherwise not available for occupancy by Tenant due to omission, delay or default by Tenant or anyone acting under or for the Tenant, Landlord shall have no liability, and obligations of this Lease including, without limitation, the obligation to pay rent shall nonetheless commence as of the date specified as the Commencement Date in Section 1.7 hereof, rather than the date on which the Premises have been substantially completed in accordance with the provisions of the Plans and Specifications or are otherwise made available for occupancy by Tenant.
- (c) If, however, the Premises are not substantially completed or otherwise available for occupancy by Tenant on the date specified as the Commencement Date in Section 1.7 hereof due to default on the part of Landlord or due to any cause beyond the control of Landlord or Tenant, then as Tenant's sole remedy for the delay in Tenant's occupancy of the Premises, the Commencement Date shall be delayed and the rent herein provided shall not commence until the earlier to occur of actual occupancy by Tenant or substantial

completion of the work which Landlord has agreed to perform.

(d) The Premises shall be deemed to be in substantial completion on the date on which Landlord notifies Tenant that Tenant may move in to the Premises (subject to correction by Landlord of items noted on the "punch list" which Landlord and Tenant shall prepare prior to move-in and only after certification of the Building Architect (or another architect mutually acceptable to Landlord and Tenant) that the premises are substantially completed and ready for occupancy).

ARTICLE III RENT

3.1 Rent.

Tenant agrees to pay during the Lease Term to Landlord, without any demand, set-off or deduction whatsoever, the Base Rental, and all such other sums of money as shall become due under this Lease or any exhibits or addenda to this Lease, all of which are sometimes herein collectively called "rent," for the nonpayment of which Landlord shall be entitled to exercise all such rights and remedies as are herein provided in the case of the nonpayment of Base Rental

3.2 Base Rental.

The annual Base Rental for each calendar year or portion thereof during the Lease Term shall be due and payable in advance, in twelve (12) equal installments on the first day of each calendar month during the term of the Lease and any extensions or renewals thereof, and Tenant hereby agrees to pay such Base Rental and any adjustments thereto to Landlord at Landlord's address provided herein (or at such other address as may be designated by Landlord in writing from time to time) monthly, in advance, and without any demand, set-off or deduction whatsoever. If the term of the Lease commences on a date other than the first day of a month or terminates on a day other than the last day of a month, then the installments of Base Rental and any adjustments thereto for such month or months shall be prorated based on the number of days in such month.

3.3 Common Area Maintenance Charge. (Intentionally Left Blank)

3.4 Late Rent.

Tenant acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by the Lease, the exact amount of which will be difficult to ascertain, including but not limited to, processing and accounting charges and late charges which may be imposed on Landlord by the provisions of any mortgage or deed of trust covering the Premises. Consequently, in the event that any monthly installment of Base Rental or other sum due hereunder is not received by its due date, for any reason whatsoever, interest shall be charged under the provisions of Section 3.5.

3.5 Interest on Past Due Obligations.

All installments of rent and any other sums payable by Tenant hereunder which are not paid when due shall bear interest ("Interest") from the date due until paid at a per annum rate of interest equal to the lesser of the maximum lawful rate or the rate of eighteen percent (18%) per annum.

3.6 Rent Adjustment.

The Base Rental shall be adjusted every five years after the Commencement Date according to the CPI-Adjustment.

3.7 Covenant to Appropriate Designated Revenues; Non-Substitution.

The City covenants and agrees that it shall take all such actions as may be necessary to include all Lease Payments and other amounts due under the terms of the Lease, as amended hereby, in the annual budget of the City, and to provide for periodic appropriations for all such payments from unrestricted revenues received by the City which are classified as amounts for deposit into the current, unrestricted general fund, the current auxiliary enterprise fund, and the current designated fund as the same are set forth in the financial reports of the City. The City further covenants and agrees that at all times when appropriation legislation is prepared by or for the City for consideration in each successive session of the City Council, it will cause to be included in all such appropriation legislation proposed and submitted by or for the City, sufficient amounts (over and above all other requirements of the City) to ensure that there are amounts available to satisfy all Lease Payments and other amounts due under the terms of the Lease, as amended hereby, so as to provide that the aggregate of each such appropriation will provide funds sufficient for payments of said Lease Payments and other amounts due under the terms of this Lease, as amended hereby. So long as no default of any monetary obligation of the Tenant has occurred, the Tenant's obligation to pay any amounts due or pay any covenants requiring or resulting in the expenditure of money shall be contingent and expressly limited to the extent of any specific appropriation made by the governing authorities to fund such lease agreement, and that nothing contained in the lease agreement shall be construed as creating any monetary obligation on the part of the lessee beyond such current and specific appropriation. If the lease is terminated for non-appropriation, the Tenant may not lease other space that satisfies the same function as the existing lease.

3.8 Option to Purchase.

The Landlord grants to the Tenant the right to purchase the Premises upon expiration of the primary term at a price equal to the unpaid balance at such time.

ARTICLE IV CONSTRUCTION

Tenant and Landlord acknowledge construction is required with respect to the Premises prior to the Commencement Date. A preliminary drawing and Plans and Specifications of the space prepared by M3A Architecture, PLLC, is attached as Exhibit "C." Tenant and Landlord agree to use their best efforts to complete a full set of architectural drawings as expeditiously as possible, but no later than April 15, 2011, to allow construction of the Premises to begin as early as possible. The scope of the improvements and the material, construction, and other requirements are included in the Plans and Specifications attached hereto as Exhibit "C."

ARTICLE V OCCUPANCY AND CONTROL

5.1 Use.

The Premises shall be used for office purposes and for no other purposes. Tenant agrees not to use or permit the use of the Premises for any purpose which is illegal, or which, in Landlord's opinion creates a nuisance, constitutes waste, increases the possibility of fire or other casualty, or increases the cost of insurance coverage with respect to the Building.

5.2 Governmental Laws and Regulations.

Tenant will, at Tenant's sole cost and expense, comply with all applicable laws, ordinances, rules, and regulations, now in force or hereafter enacted, of any governmental entity or agency having jurisdiction over the Premises.

5.3 Building Rules and Regulations.

Tenant will comply, and will cause all of its agents, employees, invitees and visitors to comply, with all rules and regulations of the Building now or hereafter adopted by Landlord, including, but not limited to, the rules and regulations which are set forth in Exhibit "D" attached hereto and incorporated herein by reference for all purposes. Landlord shall at all times have the right to change the rules and regulations of the Building or to amend them in any manner deemed by Landlord to be appropriate for the safety, efficiency, care and cleanliness of the Building or the Premises. All changes to such rules and regulations will be provided by Landlord to Tenant in writing. Landlord shall notify Tenant at least thirty (30) days prior to any change in these rules and regulations.

5.4 Entry by Landlord for Repairs and Inspections.

Landlord, its agents and representative shall be permitted to enter into and upon any part of the Premises at all reasonable hours (and in emergencies at all times, by any means Landlord may deem proper, and without liability therefor) to inspect the same, or to show the Premises to prospective purchasers, mortgagees, tenants or insurers, or to clean or make repairs, alterations or additions thereto, or to perform any other act or action required or permitted to be performed by Landlord under this Lease, and Tenant shall not be entitled to any abatement or reduction of rent by reason thereof.

5.5 Parking.

During the term of the Lease, Tenant shall have the non-exclusive use in common with Landlord, other tenants of the Building, their guests and invitees, of the non-reserved common automobile parking areas, driveways and footways associated with the Building, subject to the rules and regulations for the use thereof prescribed from time to time by Landlord. No specific designated spaces are to be assigned to Tenant except as otherwise provided in the Parking Agreement, if any, attached to this Lease. Landlord shall have the right to reserve parking spaces as it elects and condition use thereof on such terms as it elects.

**ARTICLE VI
SERVICES AND UTILITIES**

6.1 Services to be Furnished by Landlord.

Landlord agrees to furnish Tenant, for the portion of the Premises which are then occupied by Tenant, provided Tenant is not in default hereunder, the following services:

- (a) Hot and cold water at those points of supply provided for general use of other tenants in the Building. Tenant shall be responsible for its own water on the Premises.
- (b) Central heat and air conditioning in season, at such temperatures, in such amounts and at such times as are considered by Landlord to be standard, or as required by governmental authority, provided, however, heating and air conditioning service at times other than for Normal Business Hours (as defined below) for the Building shall be furnished only upon the written request of Tenant delivered to Landlord prior to 3:00 p.m., at least one day in advance of the date such usage is requested. Tenant shall bear the entire cost of such additional service as determined by Landlord from time to time. Wherever machines or equipment which generate excess heat are used in the Premises and affect the temperature otherwise maintained by the air conditioning system or Tenant utilizes certain areas of the Premises beyond Normal Business Hours on a regular basis thereby requiring additional heating and air conditioning, Landlord may, at its option, install supplementary heating and air conditioning units in the Premises and the cost of all such supplementary heating and air conditioning units, including but not limited to all equipment, materials, installation, repair and maintenance thereof, shall be borne solely by Tenant, and Tenant agrees to pay such costs to Landlord upon demand. "Normal Business Hours" shall be from six o'clock a.m. until ten o'clock p.m. Monday through Friday and 8:00 o'clock a.m. until 6:00 o'clock p.m. Saturday, with no such Normal Business Hours on Sunday of each week. For purpose of

Police Precinct 2 normal business hours shall be at all hours of each day.

(c) Routine maintenance and electric lighting service for all Common Areas and Service Areas of the Building in the manner and to the extent deemed by Landlord to be standard

(d) Janitorial service will be provided daily, except for normal holidays, for all Common Areas and Service Areas. Tenant shall provide all janitorial services for the Premises.

Landlord shall provide a central location for nonhazardous, nonbiological and nonmedical trash disposal and Tenant must deposit all such refuse at this location. Tenant may not locate or maintain trash disposal containers for such material off the Premises whether within the interior or on the exterior of the Building. Additionally, Tenant is responsible for, and shall pay for, the proper disposal of all hazardous, biological and medical waste, trash or refuse generated by its use of the Premises. However, all receptacles for such waste shall be located within the interior of the Premises out of public view. Tenant hereby further indemnifies Landlord, and holds Landlord harmless from, any and all claims, liabilities, causes of action, costs, fines, suits, losses, demands and judgments of every kind and character arising out of Tenant's failure to properly dispose of such waste, or arising out of the presence of such waste on the Premises, within the Building, or on the Land, or arising during transport therefrom, or arising out of the final disposition thereof.

(e) Subject to the provisions of Section 6.2 hereof, electric current in the manner and to the extent deemed by Landlord to be standard in the normal use and occupancy of the Common Area. All electric current and the associated expenses therefor to the Premises shall be the sole responsibility of the Tenant.

(f) All Building Standard fluorescent bulb replacement in the Common Areas and Service Areas. Tenant shall be responsible for its own bulb replacement in the Premises.

(g) Security in the form of limited access to the Building during hours other than Normal Business Hours shall be provided in such form as Landlord deems appropriate. Landlord may require those tenants requesting access to the Building during other than Normal Business Hours to pay a \$10.00 deposit for each magnetic access card which Landlord supplies for after-hours access to the Building, which deposit shall be fully refundable, at any time, upon surrender of each such card. Landlord, however, shall have no liability to Tenant, its employees, agents, invitees or licensees for losses due to theft or burglary, or for damages done by unauthorized persons on the Premises, within the Building, or on the Land, and neither shall Landlord be required to insure against any such losses. Tenant shall cooperate fully in Landlord's efforts to maintain security in the Building and shall follow all regulations promulgated by Landlord with respect thereto.

6.2 Use of Electrical and Gas Services by Tenant.

Tenant shall be solely responsible for all electrical and gas services provided to, used, and consumed by Tenant in utilizing the Premises. Landlord agrees to separately meter the Premises for electrical and gas services directly supplied to the Premises. However, the electrical and gas costs consumed by the central heating and cooling facilities which serve all of the Building, including the Premises, cannot be separately metered. Accordingly, Tenant's use of the central heating and cooling facilities will be metered in accordance with standard industry practice, and Tenant shall be responsible for that portion of the electrical and gas

costs consumed by the central heating and cooling facilities as is associated with heating and cooling the Premises, as determined by said metering of Tenant's use of the central heating and cooling facilities in accordance with standard industry practice.

6.3 Use of Water and Sewer by Tenant.

Tenant shall be solely responsible for all water and sewerage services. Landlord agrees to separately meter the Premises for such purposes. In the event water and sewerage services cannot be separately metered, Tenant's use of the water and sewerage services will be metered in accordance with standard industry practice and Tenant shall be responsible for that portion of such services so determined to be consumed by Tenant.

6.4 Interruption of Services.

Subject to the rights of Landlord or Tenant to terminate this Lease pursuant to Article XII, if said Article XII is applicable, the failure by Landlord to any extent to furnish, or the interruption or termination of any services required of Landlord under this Lease, in whole or in part, resulting from causes beyond the reasonable control of Landlord, or arising in connection with any accidents or emergencies, or repairs or alterations which Landlord is required, permitted or otherwise deems appropriate to perform hereunder shall not render Landlord liable to Tenant in any respect, nor be construed as an eviction of Tenant, work an abatement of rent, or relieve Tenant from the obligation to fulfill any covenant or agreement hereof, and Tenant shall have no claim of offset or abatement of rent or damages on account of any interruption in services under this Lease.

**ARTICLE VII
REPAIRS, MAINTENANCE AND ALTERATIONS**

7.1 Acceptance of Premises by Tenant.

The taking of possession of the Premises shall conclusively establish that Tenant accepts the Premises as suitable for the purposes leased, accepts the Premises, the Building, and the Land and all related improvements and appurtenances as being in a good and satisfactory condition, and acknowledges that the same comply fully with Landlord's covenants and obligations hereunder.

7.2 Maintenance and Repair of Premises by Landlord.

Except as otherwise expressly provided herein, Landlord shall not be required to make any repairs to or maintain the Premises. Landlord shall be required to repair and maintain the roof (but not interior ceilings), the exterior walls (but not interior walls), the foundation and water and sewage pipes located in or under the foundation.

7.3 Repairs and Maintenance by Tenant.

Tenant shall keep the Premises in good, clean and habitable condition and shall at its sole cost and expense keep the Premises free of insects, rodents, vermin and other pests and

make all needed repairs and replacements, including replacement of cracked or broken glass. Without limiting the scope of the previous sentence, it is understood that Tenant's responsibilities include: (a) the repair and/or replacement of all carpet, floor coverings, interior painting, window and door frames, molding, locks and hardware, special store fronts, signs, placards, decorations and advertising media of any type within the Premises, and doors, door closure devices and other exterior openings, (b) the repair and/or replacement of all lighting, heating, air conditioning, plumbing (other than water and sewage pipes located in or under the foundation), and other electrical, mechanical and electromotive installations, equipment and fixtures directly serving the Premises, but excluding repairs and maintenance to the central plant and chilled water loop which serve all tenants of the Building, (c) all utility repairs in ducts, conduits, pipes and wiring located in or above the Premises, and any sewer stoppage located in or above the Premises, and (d) care and cleaning of floor coverings. Tenant shall also comply with all applicable laws, ordinances and governmental regulations. Tenant shall take good care of the Premises and keep the same free from waste at all times. Tenant shall keep the Premises and sidewalks, service-ways and loading area adjacent to the Premises neat, clean and free from dirt or rubbish at all times, and shall store all trash and garbage within the areas designated by Landlord for the regular pick-up of such trash and garbage. Receiving and delivery of goods and merchandise and removal of garbage and trash shall be made only in the manner and areas prescribed by Landlord. If Tenant fails to make such repairs or replacements promptly, or with fifteen (15) days of occurrence, Landlord may, at its option, make such repairs or replacements, and Tenant shall repay the cost thereof to Landlord on demand together with Interest from the date expended until repaid. All Plans and Specifications for any such activities involving expenditures in excess of Five Thousand Dollars (\$5,000.00) shall be approved by the Landlord or its architect, which approval may not be unreasonably withheld or may be given on such reasonable conditions as Landlord or its architect may elect.

7.4 Alterations by Tenant.

Upon completion of the Tenant Improvements, as required by the Allowance Work Letter Agreement attached hereto as Exhibit "E" hereto, tenant will not make or allow to be made any alterations to the Premises, or place signs on the Premises which are visible from outside the Premises, without first obtaining the written consent of Landlord in each such instance, which consent may be withheld or may be given on such conditions as Landlord may elect. Any and all such alterations, physical additions or improvements when made to the Premises by Tenant, shall be at Tenant's sole cost and expense and shall be under supervision of Landlord. Landlord shall have no obligation to repair, maintain or insure same. Tenant agrees to pay all costs and expenses incurred by Landlord in connection with such alterations, additions, and improvements, including the cost of reviewing plans and specifications and supervising construction. All work to be performed by or for Tenant pursuant to this Section 7.4 and pursuant to Section 7.3 will be performed, at Tenant's sole cost and expense, diligently and in a good, workmanlike manner and in compliance with all applicable laws, rules, ordinances, and regulations of any public authority having jurisdiction over the Building and/or Tenant. Any and all alterations to the Premises shall become the

property of Landlord upon termination of this Lease (except for movable equipment or furniture owned by Tenant and those items of Tangible Personal Property governed by Section 7.3). Landlord may, nonetheless, require Tenant to remove any and all fixtures, equipment and other improvements installed by Tenant on the Premises. In the event that Landlord so elects, and Tenant fails to remove such improvements, Landlord may remove such improvements at Tenant's cost, and Tenant shall pay Landlord on demand the cost of restoring the Premises to Building Standard together with Interest from the date expended until repaid.

7.5 Surrender of Premises by Tenant.

At the termination of the Lease, whether caused by lapse of time or otherwise, Tenant shall at once surrender possession of the Premises and deliver the Premises to Landlord in as good repair and condition as at the commencement of Tenant's occupancy, reasonable wear and tear excepted, and shall deliver to Landlord all keys to the Premises, and if such possession is not immediately surrendered, Landlord may forthwith enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises, or any part thereof, by force, if necessary, without having any civil or criminal liability therefore. All furniture, movable trade fixtures, and equipment, and at Landlord's option, all alterations, additions, and improvements, installed by Tenant shall be removed by Tenant at the termination of the Lease. All such removals shall be accomplished in a good and workmanlike manner so as not to damage the Premises or the primary structure or structural qualities of the Building or the plumbing, electrical lines or other utilities. Tenant agrees to repair, at Tenant's expense any damage to the Premises or the Building resulting from the removal of any items of property authorized herein, including, without limitation, repairing the floor and patching and painting the walls where reasonably required by Landlord. Tenant will pay to Landlord on demand all expenses incurred by Landlord, together with Interest from the date expended until repaid, in connection with Landlord's disposition of such property, including without limitation, the cost of repairing any damage to the Building or the Premises. Tenant's obligations under this paragraph shall survive the expiration or earlier termination of this Lease.

ARTICLE VIII

ASSIGNMENT AND SUBLETTING BY TENANT AND LANDLORD

8.1 Consent.

(a) Tenant shall not assign, sublease, transfer, or encumber this Lease or any interest therein, without the prior written consent of Landlord. Any attempted assignment or sublease by Tenant in violation of the terms and covenants of this paragraph shall, at Landlord's option, exercisable in Landlord's sole and absolute discretion, be void. Consent by Landlord to one or more assignments or sublettings shall not operate as a waiver of Landlord's rights as to any subsequent assignments or sublettings.

(b) Tenant shall not in any manner advertise the Premises or this Lease as being available

for assignment or sublease without the prior written consent of Landlord, which, in Landlord's sole and absolute discretion, may be withheld or denied. In the event Landlord consents to any such advertisement by Tenant, Landlord shall be entitled to condition such consent and to restrict the contents of the advertisement in such manner and on such terms as Landlord deems necessary or advisable. Tenant will strictly comply with the terms of Landlord's consent and any conditions or restrictions imposed by Landlord in connection therewith. Consent by Landlord to any such advertising shall not operate as a consent by Landlord to any ensuing assignment or sublease, or as a waiver by Landlord of Landlord's rights as to any subsequent advertising desired or requested by Tenant.

8.2 Landlord's Option.

If Tenant requests Landlord's consent to an assignment of the Lease or subleasing of all or part of the Premises, Landlord shall have the option (without limiting Landlord's other rights hereunder) of terminating this Lease as to such portion of the Premises upon thirty (30) days notice and of dealing directly with the proposed assignee or sublessee, and, in the event of a subleasing of less than all of the Premises and a termination of this Lease as to such portion of the Premises, then the rental and other charges hereunder shall be proportionately reduced. If Landlord should fail to notify Tenant in writing of its decision within a thirty (30) day period after Landlord is notified in writing of the proposed assignment or sublease, Landlord shall be deemed to have refused to consent to any assignment or subleasing and to have elected to keep this Lease in full force and effect.

8.3 Proceeds of Assignment, Sale or Sublease.

All cash or other proceeds of any assignment, sale or sublease of Tenant's interest in this Lease, whether consented to by Landlord or not, shall be paid to Landlord notwithstanding the fact that such proceeds exceed the rentals called for hereunder, unless Landlord agrees to the contrary in writings and Tenant—hereby assigns all rights it might have or ever acquire in any such proceeds to Landlord; however, Landlord shall not be required to enforce the obligations of the assignee or sublessee to pay rent or any other sums due thereunder, and no failure or refusal of Landlord to enforce the payment of any such obligations shall in any way render Landlord liable to Tenant or release Tenant or any guarantor of Tenant's liabilities from their respective obligations hereunder. This covenant and assignment shall run with the land and shall bind Tenant and Tenant's heirs, administrators, personal representatives, successors and assigns. Any assignee, sublessee or purchaser of Tenant's interest in this Lease (all such assignees, sublessees and purchasers being hereinafter referred to as "Successors"), by assuming Tenant's obligations hereunder shall assume liability to Landlord for all amounts paid to persons other than Landlord by such Successor in consideration of any such sale, assignment or subletting, in violation of the provisions hereof. No direct collection by Landlord shall be deemed a release of Tenant or any guarantor of Tenant's obligations under this Lease from the future performance of its obligations hereunder or under any separate guaranty agreement.

8.4 Continuing Liability.

Notwithstanding any assignment or subletting, Tenant and any guarantor of Tenant's obligations under the Lease shall at all times remain fully responsible and liable for the payment of the rent herein specified and for compliance with all of its other obligations under the Lease.

8.5 Consent to Landlord's Assignment of Lease.

The City does hereby consent and agree to the collateral assignment by the Landlord to the bond or loan trustee and/or to any financial institution issuing a letter of credit or other credit facility or construction or other financing (hereinafter the "Bank"), for financing in connection with the Project, as such term is defined in the Lease, and/or any such letter of credit or other credit facility or construction or other financing provided by the Bank, of all of the Landlord's interest in the Lease, and the Landlord's rights to receive payment from the City under the Lease, including, but not limited to, the right to receive payments of Base Rental and CPI-Adjustment, as such terms are defined in the Lease (all of which rights to receive payments are hereinafter collectively referred to as "Lease Payments"), as and when such sums are due under said Lease.

8.6 Consent to Landlord's Assignment of Lease Payments.

The City does hereby consent and agree that all Lease Payments owed by the City under the Lease shall and will be paid pursuant to any such instructions as shall hereafter be provided in writing to the City by the Landlord, which instructions shall be irrevocable if so provided, in regard to the payment of Lease Payments.

**ARTICLE IX
LIENS BY TENANT**

Tenant will not permit any mechanic's or materialman's lien(s) or other liens to be placed upon the Premises or the Building and nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any person for the performance of any labor or the furnishing of any materials to the Premises, or any part thereof, nor as giving Tenant any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to any mechanic's or materialman's lien(s) or other liens against the Premises. In the event any such lien is attached to the Premises or the Building, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same without questioning the validity thereof. Any amount paid by Landlord for any of the aforesaid purposes, together with Interest from the date expended until the date repaid, shall be paid by Tenant to Landlord on demand as additional rent.

**ARTICLE X
INSURANCE**

10.1 Property Insurance.

Landlord shall maintain fire and extended coverage insurance on the Building and the machinery, personal property and equipment of Landlord used in connection with the Building in an amount sufficient to replace the Building and the machinery, personal property and equipment of Landlord used in connection with the Building. Landlord shall not be required to maintain insurance on property owned by any tenant of the Building or for which any tenant of the Building is legally responsible, or for alterations, leasehold improvements or additions made, installed or purchased by or on behalf of any tenant of the Building (including any improvement made pursuant to an Allowance Work Letter Agreement entered into by Landlord and any tenant in relation to a Lease of space within the Building or located on the Land). All insurance requirements by Landlord hereunder shall be maintained at the expense of Landlord, and payments for losses thereunder shall be made solely to Landlord or the mortgagees of Landlord as their interest shall appear or as they shall agree. Tenant shall maintain at its expense, in an amount equal to full replacement cost, fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Premises, on all improvements to the Building contained within or constituting the Premises which have been made by Tenant or at Tenant's request or expense (including those improvements made pursuant to the Allowance Work Letter Agreement attached hereto as Exhibit "E" and incorporated herein by reference for all purposes), and in such additional amounts as required to meet Tenant's obligations pursuant to Article XII hereof.

10.2 Liability Insurance.

Tenant shall, at its own expense, maintain comprehensive general liability insurance type coverage or self insured reserves as required by law with respect to the activities of Tenant in the Building, with the premiums or self-insurance fund contributions thereon fully paid on or before the due date. Coverage shall be provided under a Certificate of Coverage issued to the City of Jackson and maintained throughout the term of this Lease and any extensions thereof.

Landlord shall, at its own expense, maintain a policy or policies of comprehensive general liability insurance with respect to the activities of Landlord on the Project, with the premiums thereon fully paid on or before the due date, and issued by and binding upon an insurance company approved by Landlord, such insurance to afford minimum protection of not less than \$1,000,000 combined single limit coverage of bodily injury, property damage or combination thereof. Landlord shall not be required to maintain insurance against thefts within-the-Premises or-the -Land and-Building generally.

10.3 Insurance Notification.

Tenant shall, at Landlord's request from time to time, provide Landlord with current certificates of coverage evidencing Tenant's compliance with Section 10.1 and Section 10.2 hereof.

10.4 Liability of Landlord/Damages from Certain Causes.

Landlord shall not be liable to Tenant or to Tenant's employees, agents, licensees, or

visitors, or to any other person whomsoever for (a) any injury or damage to person or property due to the Building or the Land or any part thereof becoming out of repair, or by defect in or failure of pipes or wiring, or by the backing up of drains, or by the bursting or leaking of pipes, faucets and plumbing fixtures, or by gas, water, steam, electricity or oil leaking, escaping or flowing into the Premises, unless caused by the sole negligence, gross negligence or willful misconduct of Landlord, or (b) any loss or damage that may be occasioned by or through the acts or omissions of other tenants in the Building, or (c) for any loss or damage to any property or person occasioned by theft, fire, act of God, public enemy, injunction, riot, insurrection, war, act of terrorism, court order, requisition or order of governmental authority, or any other matter beyond the control of Landlord, or (d) any damage or inconvenience which may arise through repair or alterations of any part of the Building or the Premises. Tenant agrees that all personal property upon the Premises shall be at the risk of Tenant only and that Landlord shall not be liable for any damage thereto or theft thereof, except where caused by the gross negligence or willful misconduct of Landlord.

10.5 Waiver of Subrogation Rights.

Anything in this Lease to the contrary notwithstanding, Landlord and Tenant each hereby waive any and all rights of recovery, claim, action or cause of action, against the other, its agents, officers, or employees, for any loss or damage that may occur to the Premises, or any improvements thereto, or the Building of which the Premises are a part, or any improvements thereto, or any personal property of such party therein, by reason of fire, the elements, or any other cause(s) which are insured against under the terms of the standard fire and extended coverage insurance policies referred to in Section 10.1 hereof, regardless of cause or origin, including negligence of the other party hereto, its agents, officers, or employees.

**ARTICLE XI
LIABILITY OF LANDLORD AND TENANT**

11.1 Tenant's Liability.

Landlord shall have no liability whatsoever to Tenant, to Tenant's agents, servants, employees, contractors, patrons, guests, licensees or invitees, to any other person entering upon the Premises under or with the express or implied invitation or permission of Tenant, or to any other person whomsoever for any claims, actions, damages, liabilities and/or expenses in connection with (a) any injury to person or damage to property on or about the Premises due to the act, omission, negligence of any type, misconduct, or willful act of Tenant, Tenant's agents, servants, employees, contractors, patrons, guests, licensees or invitees, or any other person entering upon the Premises under or with the express or implied invitation or permission of Tenant, (b) the use of the Premises by Tenant and the conduct of its business therein, or (c) any maintenance, repair, installation or alterations in or to the Premises which shall be undertaken by Tenant either in connection with its obligations under this Lease or otherwise.

11.2 Landlord's Liability.

Tenant shall have no liability whatsoever to Landlord for any claims, actions, damages, liabilities and/or expenses arising out of (a) any injury to person or damage to property on or about the Building or Land (exclusive of the Premises) due to the act, omission, negligence of any type, misconduct, or willful act of Landlord or Landlord's agents, servants, employees or contractors, (b) the use of the Building or Land (exclusive of the Premises) by Landlord and the conduct of its business therein, or (c) any maintenance, repair, installation or alterations in or to the Building or Land (exclusive of the Premises) which shall be undertaken by Landlord either in connection with its obligations under this Lease or otherwise.

**ARTICLE XII
CASUALTY DAMAGE/DESTRUCTION OF PREMISES**

If the Premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give prompt written notice thereof to Landlord. In case the Building shall be so damaged that substantial alteration or reconstruction of the Building shall, in Landlord's sole opinion, be required (whether or not the Premises shall have been damaged by such casualty), or in the event any mortgagee of Landlord should require that the insurance proceeds payable as a result of the casualty be applied to the payment of the mortgage debt, or in the event of any material uninsured loss to the Building, Landlord or Tenant may, at their option, terminate this Lease by notifying the other party in writing of such termination within ninety (90) days after the date of such casualty. If neither Landlord nor Tenant thus elect to terminate this Lease, Landlord shall commence and proceed with reasonable diligence to restore the Building to substantially the same condition in which it was immediately prior to the happening of the casualty, except that Landlord's obligation to restore shall not exceed the scope of the work required to be done by Landlord in originally constructing the Building and installing Building Standard Improvements in the Premises (as provided in the Allowance Work Letter Agreement attached hereto as Exhibit "E"), nor shall Landlord be required to spend for such work an amount in excess of the insurance proceeds actually received by Landlord as a result of the casualty. When the Premises have been restored to Building Standard by Landlord, Tenant shall complete the restoration of the Premises, including the reconstruction of all improvements in excess of Building Standard and the restoration of Tenant's furniture and equipment. All cost and expense of reconstructing the Premises to a level in excess of Building Standard shall be borne by Tenant. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from such damage or the repair thereof, except that, subject to the provisions of the next sentence, Landlord shall allow Tenant a fair diminution of rent during the time and to the extent the Premises are unfit for occupancy. If the Premises or any other portion of the Building shall be damaged by fire or other casualty resulting from the fault or negligence of Tenant or any of Tenant's

agents, employees, or invitees, the rent hereunder shall not be diminished during the repair of such damage and Tenant shall be liable to Landlord for the cost of the repair and restoration of the Building caused thereby to the extent such cost and expense is not covered by insurance proceeds.

ARTICLE XIII CONDEMNATION

13.1 Total Taking.

If the whole or substantially the whole of the Building or the Premises should be taken for any public or quasi-public use, by right of eminent domain or otherwise or should be sold in lieu of condemnation, then this Lease shall terminate as of the date when physical possession of the Building or the Premises is taken by the condemning authority.

13.2 Partial Taking.

If less than the whole or substantially the whole of the Building or the Premises is thus taken or sold, Landlord (whether or not the Premises are affected thereby) or Tenant (if the Premises are wholly or partly affected thereby) may terminate this Lease by giving written notice thereof to Tenant; in which event this Lease shall terminate as of the date when physical possession of such portion of the Building or Premises is taken by the condemning authority. If the Lease is not so terminated upon any such taking or sale, the Base-Rental payable hereunder shall be diminished by an equitable amount and Landlord shall, to the extent Landlord deems feasible, restore the Building and the Premises to substantially their former condition, but such work shall not exceed the scope of the work done by Landlord in originally constructing the Building and installing Building Standard Improvements in the Premises, nor shall Landlord in any event be required to spend for such work an amount in excess of the amount received by Landlord as compensation for such taking after the exercise by any mortgagee of the Building of any option to apply such proceeds against Landlord's debt to the mortgage.

13.3 Temporary Taking.

No temporary taking of the Premises or of Tenant's rights therein or under this Lease will terminate this Lease, but Tenant will be entitled to an abatement of rent under this Lease for the period of time during which any temporary taking, in excess of one (1) business day, remains in effect.

13.4 Award.

Upon a taking of any part or all of the Building or the Premises each Party shall be entitled to such amount as is separately awarded to such Party, if any, for the interest of such party in the Building or the Premises that is condemned, if any; provided, however, that Landlord and Tenant hereby agree that any mortgagee of Landlord shall be first entitled to all or such portion of the total awards, regardless of to whom such amounts were awarded, as is necessary to satisfy the debt obligation of Landlord.

**ARTICLE XIV
EVENTS OF DEFAULT/REMEDIES**

14.1 Defaults by Tenant.

The following events shall be deemed to be events of default by Tenant under the Lease: (a) Tenant shall fail to pay when due any installment of the rent hereby reserved; (b) Tenant shall fail to comply with any other term, provision or covenant of the Lease as and when required hereunder; (c) the leasehold hereunder demised shall be taken on execution or other process of law in any action against Tenant; (d) Tenant shall fail to promptly move into and take possession of the Premises when the Premises are ready for occupancy or shall cease to do business in or abandon any substantial portion of the Premises for a period in excess of five (5) days; (e) Tenant becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due; (f) Tenant is generally not paying its debts as such debts become due; (g) a receiver, trustee or custodian is appointed for or takes possession of, all or substantially all of the assets of Tenant or any of the Premises, either in a proceeding brought by Tenant or in a proceeding brought against Tenant and such appointment is not discharged or such possession is not terminated within thirty (30) days after the effective date thereof or Tenant consents to or acquiesces in such appointment or possession; (h) Tenant files a petition for relief under the Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar law (all of the foregoing hereinafter collectively called "applicable Bankruptcy Law") or an involuntary petition for relief is filed against Tenant under any applicable Bankruptcy Law and such petition is not dismissed within thirty (30) days after the filing thereof, or an order for relief naming Tenant is entered under any applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by Tenant; (i) any other event occurs hereunder which is designated as a default; (j) Tenant defaults in its obligations under any other contract, agreement, lease, or writing with Landlord; or (k) any of the events referred to in subheadings (e), (f), (g) and (h) shall occur with respect to any guarantor of the payment or performance of any of Tenant's obligations hereunder and shall not be remedied within the time set forth in such subheadings.

14.2 Remedies.

If an event of default shall have occurred, Landlord shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies without notice or demand, except as hereinafter provided:

(a) Terminate the Lease by giving written notice thereof to Tenant, in which event Tenant shall immediately surrender the Premises to Landlord and if Tenant fails so to do, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying said Premises, or any part thereof, by force, if necessary, without being liable for prosecution or any claim of damages therefor and Tenant hereby

agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the Premises on satisfactory terms or otherwise, specifically including, but not limited to (i) all reasonable expenses necessary to relet the Premises which shall include the cost of renovating, repairing and altering the Premises for a new lessee or lessees, advertisements and brokerage fees and (ii) any increase in insurance premiums caused by the vacancy of the Premises. If such termination is caused by the failure to pay rent and/or the abandonment of any substantial portion of the Premises, Landlord may elect, by sending written notice thereof to Tenant, to receive liquidated damages in an amount equal to the rental payable hereunder for the month during which the Lease is terminated times twelve (12), which shall be in lieu of the payment of loss and damage Landlord may suffer by reason of such termination as provided in the preceding sentence but which shall not be in lieu of or reduce in any way any amount (including accrued rent) or damages due to breach of covenant (whether or not liquidated) payable by Tenant to Landlord which accrued prior to the termination of the Lease. Nothing contained in the Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of the Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

(b) Enter upon and take possession of the Premises and expel or remove Tenant or any other person who may be occupying said Premises, or any part thereof, by force, if necessary, without having any civil or criminal liability therefore and, without terminating the Lease, Landlord may relet the Premises or any part thereof for the account of Tenant, in the name of Tenant or Landlord or otherwise, without notice to Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of the Lease) and on such conditions (which may include concessions or free rent) and for such uses as Landlord in its absolute discretion may determine and Landlord may collect and receive any rents payable by reason of such reletting. In no event shall Tenant be entitled to any excess of any rent received upon such reletting above the rent herein reserved. Tenant agrees to pay Landlord on demand all reasonable expenses necessary to relet the Premises which shall include the cost of renovating, repairing and altering the Premises for a new tenant or tenants, advertisements and brokerage fees, and Tenant further agrees to pay Landlord on demand any deficiency that may arise by reason of such reletting. Landlord shall not be responsible or liable for any failure to relet the Premises or any part thereof or for any failure to collect any rent due upon such reletting. No such re-entry or taking of possession of the Premises by Landlord shall be construed as an election on Landlord's part to terminate the Lease unless a written notice of such termination is given to Tenant pursuant to Section 14.2(a) above.

(c) Without having any obligation to do so, Landlord may do or perform whatever Tenant is obligated to do or perform under the terms of the Lease, and if necessary, may enter upon the Premises in so doing, by force, if necessary, without having any civil or criminal liability therefor, and Tenant agrees to reimburse Landlord on demand for any expenses which

Landlord may incur in thus effecting compliance with Tenant's obligations under the Lease and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by the negligence of Landlord or otherwise. No repossession of or re-entering on the Premises or any part thereof pursuant to Sections 14.2(a) and (b) above or otherwise and no reletting of the Premises or any part thereof pursuant to Section 14.2(a) shall relieve Tenant or any guarantor of its liabilities and obligations hereunder, all of which shall survive such repossession, re-entering or reletting. In the event of any such repossession, re-entering or reletting of the premises or any part thereof by reason of the occurrence of an event of default, Tenant will continue to be obligated to pay to Landlord the rent and all other sums required to be paid by Tenant hereunder. In the event that Landlord at any time locks-out, dispossesses or otherwise prevents Tenant from gaining possession of the Premises, whether pursuant to the provisions of this Section 14.2, any other provision of this Lease or under any right available to Landlord at law, Landlord shall have no obligation to provide notice thereof to Tenant, to provide Tenant with a key to the Premises, or to permit Tenant to re-enter or have access to the Premises. Notwithstanding any such reletting or re-entry or taking possession, Landlord may at any time thereafter elect to terminate this Lease for any prior default.

14.3 Remedies Cumulative.

Pursuit by Landlord of any remedy provided in this Lease shall not preclude pursuit of any other remedies provided herein or by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, provisions or covenants contained in this Lease. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative of and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. In addition to other remedies provided in the Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements, conditions or provisions of the Lease, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of the Lease, or to any other remedy allowed to Landlord at law or in equity.

14.4 Landlord's Lien and Contractual Security Interest.

In addition to the statutory Landlord's lien, Landlord shall have at all times and is hereby granted a valid contractual security interest to secure payment of all rentals and other sums of money becoming due hereunder from Tenant, and to secure payment of any damage or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant presently or which may hereafter be situated in, on or about the Premises and all proceeds therefrom, and such property shall not be removed therefrom without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord hereunder shall first

have been paid and discharged and all of the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an event of default by Tenant, Landlord may, in addition to any other remedies provided herein, enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant situated on the Premises, without liability for trespass or conversion, and sell them at public or private sale, with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made, at which sale(s) Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given at least five (5) calendar days before the time of sale. Such notice shall be deemed to be delivered if personally delivered or when deposited in the United States Mail, postage prepaid, certified or registered mail (with or without return receipt requested) addressed to the parties hereto at the addresses as shown herein, whether or not actually received. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding, storing and selling of the property (including reasonable attorneys' fees and other expenses) shall be applied as a credit against the indebtedness secured by the security interest granted in this Section 14.4. Any surplus shall be paid to Tenant or as otherwise required by law; and the Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Uniform Commercial Code in force in the State of Mississippi. The statutory lien for rent is not hereby waived, the security interest herein granted being in addition and supplementary thereto.

14.5 No Implied Waiver by Landlord.

The failure of Landlord to insist at any time upon the strict performance of any covenant or agreement herein, or to exercise any option, right, power or remedy contained in the Lease shall not be construed as a waiver or a relinquishment thereof for the future. No act or thing done by Landlord or its agents during the term hereof shall be deemed an acceptance or surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless in writing and signed by Landlord. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of rent due under this Lease shall be deemed to be other than on account of the earliest rent due hereunder, or portion thereof, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease provided.

14.6 Default by Landlord.

In the event of any act or omission by Landlord which would give Tenant the right to terminate the Lease or to claim a partial or total eviction, Tenant shall not exercise any such

right (a) until it has notified in writing the holder of any mortgage or deed of trust which at the time shall be a lien on the Premises, if the name and address of such holder shall previously have been furnished by written notice to Tenant, of such act or omission, and (b) until a reasonable period for remedying such act or omission shall have elapsed following the giving of such notice, provided such holder, with reasonable diligence, shall have commenced to remedy such act or omission or cause the same to be remedied.

ARTICLE XV PEACEFUL ENJOYMENT

Tenant shall, and may peacefully have, hold and enjoy the Premises, subject to the other terms hereof, provided that Tenant pays the rent and other sums herein recited to be paid by Tenant and performs all of Tenant's covenants and agreements herein contained.

ARTICLE XVI HOLDING OVER

In the event of holding over by Tenant or any person or entity claiming under Tenant after expiration or other termination of this Lease, or in the event Tenant continues to occupy the Premises after the termination of Tenant's right of possession pursuant to Section 14.2 hereof, such holding over or possession shall constitute a tenancy at sufferance, subject to all of the terms and provisions of this Lease. In the event of any such holding over, in addition to any other remedies available to Landlord under this Lease, at law or in equity, Landlord shall have the right to enter upon and take immediate possession of the Premises, and to expel or remove Tenant or any other person occupying the Premises, or at Landlord's option, to permit Tenant to remain in possession of the Premises for such time as Landlord in its discretion may deem appropriate. In the event of a holding over beyond the expiration or termination of this Lease, Landlord shall also have the option, in the event Landlord so elects (as evidenced by written notice from Landlord to Tenant) to hold Tenant to another term of this Lease for a period of up to but not to exceed one (1) year from the date of termination of Tenant's right to possession. Tenant shall, throughout the entire holdover period, pay rent at the times and in the manner required by this Lease but at a rate equal to twice the Base Rental which would have been applicable had the term of this lease continued through the period of such holding over by Tenant. No holding over by Tenant after the expiration of the term of this Lease and no acceptance of rent by Landlord during a holdover period, whether with or without the consent of Landlord, shall be construed to extend the term of this Lease or prevent Landlord from recovering immediate possession of the Premises by summary proceedings or otherwise unless Landlord has sent written notice to Tenant that Landlord has elected to extend the term of the Lease as hereinabove provided. Tenant shall be liable to Landlord for all damage which Landlord may suffer by reason of any holding over by Tenant and Tenant shall indemnify Landlord against any and all claims made by any other tenant or prospective tenant against Landlord from delay by Landlord in delivering possession of the premises to such other tenant

or prospective tenant.

ARTICLE XVII SUBORDINATION AND ATTORNMENT

Tenant accepts this Lease subject and subordinate to any ground lease, mortgage, deed of trust or other lien presently existing or hereafter arising upon the Premises, the Building, the Land or the Project, and to any renewals refinancing and extensions thereof, and to zoning ordinances and other building and fire ordinances and governmental regulations relating to the use of the Premises, but Tenant agrees that the lessor or mortgagee under any such ground lease, mortgage, deed of trust or other lien shall have the right at any time to subordinate such ground lease, mortgage, deed of trust or other lien to this Lease on such terms and subject to such conditions as such lessor or mortgagee may deem appropriate in its discretion. Landlord is hereby irrevocably vested with full power and authority to subordinate this Lease to any ground lease, mortgage, deed of trust or other lien now existing or hereafter placed upon the Premises, or the Building, the Land or the Project, and Tenant agrees upon demand to execute such further instruments subordinating this Lease or attorning to the lessor under such lease or holder of any such liens as Landlord may request. The terms of this Lease may be subject to approval by Landlord's permanent lender(s), and such approval, if required, shall be a condition precedent to Landlord's obligations hereunder. Tenant will execute and deliver on request from Landlord, any such instruments as may be deemed appropriate to evidence the subordination of this Lease to any ground lease, or to any mortgage, deed of trust, or other lien affecting the Premises, the Building, the Land or the Project. In the event that Tenant should fail to execute any such instrument promptly as requested, Tenant hereby irrevocably constitutes Landlord as its attorney-in-fact to execute such instrument in Tenant's name, place and stead, it being agreed that such power is one coupled with an interest. In the event any proceedings are brought for default under any ground lease or in the event of foreclosure or the exercise of the power of sale under any mortgage or deed of trust, Tenant shall thereafter, but only at the option of the successor in interest to Landlord's rights, remain bound by novation or otherwise to the same effect as if a new and identical lease between the successor in interest to Landlord's rights, as Landlord, and Tenant, as Tenant, had been entered into for the remainder of the term of the Lease in effect at the institution of the foreclosure proceedings. Tenant agrees to execute any instrument or confirm any election to continue the Lease in effect in event of foreclosure, as above provided. Tenant hereby further specifically allows Landlord to pledge this Lease as security for the issuance of taxable or tax exempt public financing for acquisition and renovation of the Building, the Land and the Premises. Tenant hereby further specifically allows Landlord to pledge this lease as security for debt in connection with financing by a commercial bank, lender or underwriter.

ARTICLE XVIII CERTIFICATES TO BE PROVIDED BY TENANT

18.1 Certificate of Acceptance.

Upon tender of possession of the Premises to the Tenant and as often thereafter as

may be requested by Landlord, Tenant will, within ten (10) days after receipt of a request from Landlord, execute, acknowledge and deliver to Landlord a statement in form acceptable to Landlord, and provided by the Attorney for the Tenant, which will (a) set forth the actual Commencement Date and expiration date of the Lease Term, and (b) contain acknowledgements that Tenant has accepted the Premises and that the Premises and the Project are satisfactory in all respects, except to the extent specifically provided by the Tenant to the contrary.

18.2 Estoppel Certificates.

Tenant will, from time to time, within thirty (30) days following request by Landlord, execute and deliver to such persons as Landlord shall request a statement in recordable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified), stating the dates to which rent and other charges payable under the Lease have been paid, stating that Landlord is not in default hereunder (or if Tenant alleges a default stating the nature of such alleged default) and further stating such other matters as Landlord shall reasonably require.

**ARTICLE XIX
LANDLORD'S INTEREST**

19.1 Transfer by Landlord.

Landlord shall have the right to transfer and assign, in whole or in part, all of its rights and obligations hereunder and in the Building and Land referred to herein, and in such event and upon such transfer, Landlord shall, upon the consent of Tenant, be released from any further obligations hereunder, and upon such consent Tenant agrees to look solely to such successor in interest of Landlord for the performance of such obligations. Tenant shall not unreasonably withhold its consent to the release from liability of Landlord hereunder, upon Landlord's transfer and assignment, in whole or in part, of its rights and obligations hereunder and in the Building and Land referred to herein. The term "Landlord" will mean only the owner at the time of the fee title or a tenant's interest in a ground lease of the Project. All covenants of Landlord hereunder shall be binding upon Landlord and its successors only during its or their respective periods of ownership.

**ARTICLE XX
MISCELLANEOUS**

20.1 Notices.

Any notice in this Lease provided for must, unless otherwise expressly provided herein, be in writing and may, unless otherwise in this Lease expressly provided, be given or be served by depositing the same in the United States mail, prepaid, certified or registered mail (with or without return receipt requested) and addressed to the party to be notified, or by delivering the same in person to an office of each party or by facsimile transmission, when

appropriate, addressed or transmitted via facsimile to the party to be notified at the address or facsimile number set forth opposite the signature of the parties below, or such other address or facsimile number, notice of which has been given to the other party in accordance with the provisions of this Lease. Notice deposited in the mail in the manner hereinabove described shall be effective from and after the expiration of three (3) calendar days after it is so deposited whether or not actually received. Notice delivered in any other manner shall be effective upon actual delivery to the intended recipient's address for notices as provided herein or upon transmission, with confirmation, to the facsimile number for notices as provided herein.

20.2 Severability.

If any term or provision of this Lease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provisions to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law notwithstanding the invalidity of any other term or provision hereof.

20.3 Recordation by Tenant.

Tenant agrees not to record this Lease or any memorandum hereof.

20.4 Place of Performance.

Tenant shall perform all covenants, conditions and agreements contained herein, including but not limited to payment of rent, in Hinds County, Mississippi. Any suit arising from or relating to this Lease shall be brought in Hinds County, Mississippi.

20.5 Binding Effect.

This Lease shall be binding upon and inure to the benefit of the successors and assigns of Landlord, and shall be binding upon and inure to the benefit of Tenant, and with the prior written approval of Landlord, its successors and assigns.

20.6 Time of Performance.

Except as expressly otherwise herein provided, with respect to all required acts of Tenant, time is of the essence of this Lease.

20.7 Force Majeure.

Whenever a period of time is herein prescribed for the taking of any action by Landlord, Landlord shall not be liable or responsible for, and there shall be excluded from the computation of such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, acts of terrorism, war, governmental laws, regulations or restrictions, or any other cause whatsoever beyond the reasonable control of Landlord.

20.8 Graphics and Signing by Landlord.

Landlord shall provide and install, at Tenant's cost, at or near the front door of the Premises, all letters or numeral which may be necessary to identify Tenant's name and suite number, all such letters and numeral shall be in the standard graphics for the Building and no other shall be used or permitted on or about the Premises without Landlord's prior written consent.

20.9 Effect of Delivery of this Lease.

Landlord has delivered a copy of this Lease to Tenant for Tenant's review only, and the delivery hereof does not constitute an offer to Tenant or an option. This Lease shall not be effective until a copy executed by both Landlord and Tenant is delivered to and accepted by Landlord.

20.10 Entire Agreement, Amendments, Waiver.

It is expressly agreed by Tenant that there are no representations, understanding or promises pertaining to the said Project or Premises except as herein set forth, and that this Lease and the Exhibits and Addenda attached hereto constitute the entire agreement of Landlord and Tenant with respect to the rental or leasing of the Premises. Tenant understands and agrees that there are no warranties, either express or implied other than the warranties, if any, which are set forth in writing in the Lease. All warranties, either express or implied, if any, contained in this Lease are complete and exclusive statements of same. This Lease may not be altered, changed, or amended, except by instrument in writing signed by both parties hereto. No provision of this Lease shall be deemed to have been waived by the Landlord unless such waiver be in writing signed by Landlord.

Tenant agrees that this Lease may not be amended without the prior written consent of the Trustee and the Issuer.

20.11 Joint and Several Liability.

If there is more than one Tenant, or if the Tenant as such is comprised of more than one person or entity, the obligations hereunder imposed upon Tenant shall be joint and several obligations of all such parties.

20.12 Waiver by Tenant.

Tenant hereby waives and surrenders (a) any right and privilege which it may have under any present or future constitution, statute or rule of law to redeem the Premises or to have a continuance of the Lease for the term hereby demised after termination of Tenant's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of the Lease, or after the termination of the term of the Lease as herein provided, and (b) the benefits of any present or future constitution, statute or rule of law which exempts property from liability for debt or for distress for rent, and (c) any right to demand trial by jury in any action or proceeding arising out of this Lease or the use or occupancy of the Premises, and (d) the right to interpose any counterclaim in any summary

proceeding instituted by Landlord for nonpayment of rent, and (e) the benefit of any rule of construction requiring this Lease to be construed against Landlord merely because Landlord prepared it.

20.13 Gender and Number.

Words of any gender used in the Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

20.14 Change of Building Name.

Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and address of the Building from time to time.

20.15 Captions.

The caption of each paragraph hereof is added as matter of convenience only, and shall be considered to be of no effect in the construction of any provision or provisions of the Lease.

20.16 Authority.

In the event Tenant is a corporation (including any form of professional association or municipal corporation), partnership (general or limited), or other form or organization other than an individual, then each individual executing or attesting this Lease on behalf of Tenant hereby covenants warrants and represents: (a) that he is duly authorized to execute or attest and deliver this Lease on behalf of Tenant in accordance with the organizational documents of Tenant; (b) that this Lease is binding upon Tenant; and (c) that the execution and delivery of this Lease by Tenant will not result in any breach of, or constitute a default under any mortgage, bond, indenture, deed of trust, lease, loan, credit agreement, partnership agreement or other contract or instrument to which Tenant is a party or by which Tenant may be bound.

20.17 No Agency.

The relationship created by this Lease is solely that of landlord and tenant and nothing contained in this Lease shall make either party the agent, legal representative, partner, subsidiary, joint venturer or employee of the other party.

20.18 Equal Business Opportunity.

The Landlord and any contractor or subcontractor hired in connection with the Tenant Improvements shall take all necessary steps to ensure that Minority Business Enterprises and Women Business Enterprises are utilized and shall not otherwise discriminate on the basis of race, color, national origin, or sex, while providing favorable consideration to businesses located within the City of Jackson.

20.19 Governing Law.

This Lease shall be governed by and controlled in accordance with the laws of the State of Mississippi.

**ARTICLE XXI
ADDENDA AND EXHIBITS**

The following Addenda and Exhibits are attached to and form a party of this Lease (delete or add as applicable):

- Exhibit A - Description of the Land
- Exhibit B - Floor Plan
- Exhibit C - Plans and Specifications
- Exhibit D - Building Rules and Regulations
- Exhibit E - Allowance Work Letter Agreement

In the event a provision of an Addendum or Exhibit, if any, attached hereto is inconsistent with a provision in the body of this Lease, the provision as set forth in the Addendum or the Exhibit shall control.

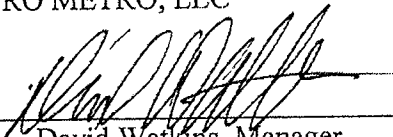
IN TESTIMONY WHEREOF, the parties hereto have executed this Lease as of the date aforesaid.

ADDRESS FOR NOTICES:

300 W. Capitol Street, Suite 200
Jackson, MS 39203
Telephone: (601) 326-7610
Fax: (601) 360-8380

LANDLORD:

RETRO METRO, LLC

By: 
David Watkins, Manager

ADDRESS FOR NOTICES:

Post Office Box 2779
Jackson, MS 39207-2779
Telephone: (601) 960-1084
Fax: (601) 960-2193

TENANT:

CITY OF JACKSON, MISSISSIPPI

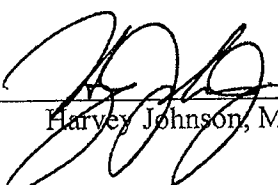
By: 
Harvey Johnson, Mayor

EXHIBIT "A"
DESCRIPTION OF LAND

The Premises covers an area of approximately 60,000 square feet, as reflected in the floor plan, attached as Exhibit "B", being a portion of the first floor of the Belk Department Store Building at the Jackson Metrocenter Mall, which building is more fully described as:

Parcel 1:

Start at the Northwest corner of the SW ¼ of the SE 1/4 of Section 1, Township 5 North, Range 1 West, Hinds County, Mississippi, and run South, 1049.0976 feet; thence East 325.5026 feet to the Point of Beginning.

From the Point of Beginning run South 54 degrees 12 minutes 55 seconds West, 45.000 feet; thence South 35 degrees 47 minutes 05 seconds East, 31.333 feet; thence South 54 degrees 12 minutes 55 seconds West, 116.250 feet; thence South 35 degrees 47 minutes 05 seconds East, 572.241 feet; thence South 88 degrees 31 minutes 16 seconds East, 289.826 feet; thence along a circular curve to the left (R=308.9071 feet) a chord bearing North 41 degrees 06 minutes 51 seconds East, 475.791 feet; thence North 09 degrees 15 minutes 02 seconds West, 566.554 feet; thence South 54 degrees 12 minutes 55 seconds West, 394.415 feet; thence North 35 degrees 47 minutes 05 seconds West, 164.333 feet; thence South 54 degrees 12 minutes 55 seconds West, 394.415; thence North 35 degrees 47 seconds 05 seconds West, 164.333 feet; thence South 54 degrees 12 minutes 55 seconds West 391.500 feet back to the Point of Beginning, said parcel being situated in the SW 1/4 of the SE 1/4 of Section 1, Township 5 North, Range 1 West and in the NW 1/4 of the NE 1/4 of Section 12, Township 5 North, Range 1 West, Hinds County, Mississippi.

Parcel 2:

Those certain non-exclusive easements in Operating Agreement by and between Jackson Properties, et al. and McRae's Inc., et al., dated December 17, 1976 and filed February 18, 1977 at 11:15 A.M. in Book 2432, Page 1, being amended by First Amendment to Operating Agreement by and between Jackson Properties, et al. and McRae's Inc., et al., dated August 25, 1977 and filed September 26, 1977 at 4:50 P.M. in Book 2480, Page 337 and Second Amended recorded in Book 2485, Page 505.

Execution Copy

EXHIBIT "B"
FLOOR PLAN
(see attached)

Execution Copy

EXHIBIT "C"
PLANS AND SPECIFICATIONS
(see attached)

EXHIBIT "D"

BUILDING RULES AND REGULATIONS

1. Sidewalks, doorways, vestibules, halls, stairways and similar areas shall not be obstructed nor shall refuse, furniture, boxes or other items be placed therein by any Tenants or its officers, agents, servants, and employees, or used for any purpose other than ingress and egress to and from the Premises, or for going from one part of the Building to another part of the Building. Canvassing, soliciting and peddling in the Building are prohibited.
2. Plumbing, fixtures and appliances shall be used only for purposes for which constructed, and no unsuitable material shall be placed therein.
3. No signs, directories, posters, advertisements, or notices shall be painted or affixed on or to any windows or doors, or in corridors or other parts of the Building except in such color, size and style, and in such places as shall be first approved in writing by Landlord. Building Standard suite identification signs will be prepared by Landlord at Tenant's expense. Landlord shall have the right to remove all unapproved signs without notice to Tenant, at the expense of Tenant.
4. Tenants shall not do, or permit anything to be done in or about the Building, or bring or keep anything therein, that will in any way increase the rate of fire or other insurance on the Building, or on property kept therein or otherwise increase the possibility of fire or other casualty,
5. Landlord shall have the power to prescribe the weight and position of heavy equipment or objects which may overstress any portion of the floor. All damage done to the Building by the improper placing of such heavy items will be repaired at the sole expense of the responsible Tenant.
6. A Tenant shall notify the Building manager when safes or other heavy equipment are to be taken in or out of the Building, and the moving shall be done after written permission is obtained from Landlord on such conditions as Landlord shall require.
7. Corridor doors, when not in use, shall be kept closed.
8. All deliveries must be made via the service entrance and service elevator, during Normal Business Hours. Landlord's approval must be obtained for any other method, manner or time of delivery. Tenant shall make advance arrangements with Landlord to schedule move-ins or move-outs and to reserve service elevator access.
9. Each Tenant shall cooperate with Landlord's employees in keeping the Premises neat and clean.

10. Tenants shall not cause or permit any improper noises in the Building or allow any unpleasant odors to emanate from the Premises, or otherwise interfere, injure or annoy in any way other tenants, or persons having business with them.
11. No animals or birds shall be brought into or kept in or about the Building.
12. When conditions are such that Tenant must dispose of crates, boxes, etc., it will be the responsibility of Tenant to dispose of same after 5:00 p.m. or before 6:00 a.m.
13. No bicycles, motorcycles or similar vehicles will be allowed in the Building.
14. No nails, hooks, or screws shall be driven into or inserted in any part of the Building except as approved by Building maintenance personnel.
15. Landlord has the right to evacuate the Building in the event of an emergency or catastrophe.
16. No food and/or beverages shall be distributed from Tenant's office without the prior written approval of the Building Manager.
17. No additional locks shall be placed on any doors without the prior written consent of Landlord. All necessary keys shall be furnished by Landlord, and the same shall be surrendered upon termination of this Lease, and Tenant shall give Landlord or his agent an explanation of the combination of all locks on the doors or vaults. No duplicates of such keys shall be made by Tenants. Additional keys shall be obtained only from Landlord, at a fee to be determined by Landlord.
18. Tenants will not locate furnishings or cabinets adjacent to mechanical or electrical access panels or over air conditioning outlets so as to prevent operating personnel from servicing such units as routine or emergency access may require. Cost of moving such furnishings for Landlord's access will be paid by Tenant. The lighting and air conditioning equipment of the Building will remain the exclusive charge of the Building maintenance personnel.
19. Tenant shall comply with such parking rules and regulations as may be posted and distributed from time to time.
20. No portion of the Building shall be used for the purpose of lodging rooms.
21. Prior written approval, which shall be at Landlord's sole discretion, must be obtained for installation of window shades, blinds, drapes, or any other window treatment of any kind whatsoever. Landlord will control all internal lighting that may be visible from the exterior of the Building and shall have the right to change any unapproved lighting without notice to Tenant, at Tenant's expense.

22. No Tenant shall make any changes or alterations to any portion of the Premises without Landlord's prior written approval, which may be given on such conditions as Landlord may elect. All such work shall be done by Landlord or by contractors and/or workmen approved by Landlord, working under Landlord's supervision.
23. Landlord reserves the right to close or limit access to the Building after Normal Business Hours, during emergencies, and at such other times as Landlord may deem appropriate in connection with the making of repairs to, operation, or management of the Building.
24. Landlord shall make reasonable allowance in signage for visually impaired individuals.
25. Landlord reserves the right to rescind any of these rules and make such other and further rules and regulations as in its judgment shall from time to time be needed for the operation of the Building, which rules shall be binding upon each Tenant upon delivery to such Tenant of notice thereof in writing.

EXHIBIT "E"

ALLOWANCE WORK LETTER AGREEMENT

THIS ALLOWANCE WORK LETTER AGREEMENT forms a part of the Lease Agreement (the "Lease") made and entered into on April __, 2011, by and between RETRO METRO, LLC ("Landlord") and the CITY OF JACKSON, MISSISSIPPI, ("Tenant"), and constitutes the entire agreement of Landlord and Tenant with respect to the construction and completion of the Premises described in the Lease.

1. Construction by Landlord of Tenant Improvements:

Subject to and upon the conditions hereinafter set forth, Landlord agrees to construct or have constructed within the Premises, in accordance with the working drawings and specifications approved by Landlord, the Tenant Improvements (herein so called) which shall, for purposes hereof, be deemed to include all improvements which are described in the Final Plans and Specifications described hereinbelow. The cost of the Tenant Improvements for the purpose of billing shall equal the actual cost to Landlord of constructing the Tenant Improvements, including without limitation the cost of all work, labor, materials, and supplies, contractors, architectural, engineering, and design fees (including but not limited to preliminary and final space plans and final construction documents), and any other costs, fees or expenses incurred by Landlord in connection with the construction of the Tenant Improvements. The projected cost of construction of the Tenant Improvements shall not exceed \$2,500,000, as specified in the Plans and Specifications attached as Exhibit "C" above. Any portion of the Tenant Improvements which costs more than such projected cost shall be paid by the Tenant as an additional charge, prior to Tenant's occupancy of the Premises.

The design and architecture services for the Tenant Improvements shall be performed in accordance with a contract between Landlord and M3A Architects, PLLC. The Tenant Improvements shall be constructed in accordance with a contract between Landlord and Builders Alternative, Inc. Architects and Engineering fees will be calculated pursuant to the M3A Contract, with contractor fees being calculated pursuant to the Builders Alternative Contract. In addition, reimbursable expenses under both the M3A Contract and the Builders Alternative Contract will be submitted and paid only to the extent such reimbursable expenses are within general standards of The American Institute of Architects.

2. Representatives:

Landlord hereby appoints William McElroy of M3A Architects, PLLC ("Landlord's Representative"), to act as the Landlord's Representative in all matters covered by this Agreement. Tenant hereby appoints Lee Unger ("Tenant's Representative") to act as Tenant's Representative in all matters covered by this Agreement. All inquiries, requests, instructions,

authorizations and other communications with respect to the matters covered by this Agreement will be made to Landlord's Representative or Tenant's Representative, as the case may be. Either party may change its representative under this Agreement at any time by giving ten (10) days written notice to the other party delivered in accordance with the notice provisions of the Lease.

3. Space Plan/Preliminary Cost Estimate:

(a) Tenant Information: Tenant agrees to provide to Landlord, at Tenant's expense, on or before April 15, 2011, all information (the "Tenant Information") which Landlord may need in order to prepare plans and specifications for the construction of the Tenant Improvements to be installed by Landlord in the Premises pursuant to the provision of this Allowance Work Letter Agreement. The information required hereunder shall at a minimum include all items which are listed on Schedule 1 attached hereto. In the event that Tenant does not deliver said information by said date, Tenant agrees that any such delay shall be a "Tenant Delay."

(b) Submittal by Landlord to Tenant of Preliminary Space Plan and Preliminary Cost Estimate: Within seven (7) business days from receipt of the Tenant Information, or as soon thereafter as reasonably possible, Landlord shall have prepared by its designated space planner and delivered to Tenant for approval, a preliminary layout or space plan ("Preliminary Space Plan") of the Premises. At the same time Landlord will be prepared to discuss informally the costs associated with the Preliminary Space Plan and will provide an estimate of the cost of constructing the Tenant Improvements within the Premises. In establishing this estimate of the cost of constructing the Tenant Improvements, Landlord shall obtain from such contractor or contractors as Landlord in its sole discretion may deem appropriate, a proposal to complete the Tenant Improvements on a "Cost of the Work Plus a Fee with a Guaranteed Maximum Price" basis.

(c) Approval by Tenant of Final Space Plan and Preliminary Cost Estimate:

(i) Tenant shall have a period of five (5) business days following delivery of the Preliminary Space Plan in which to review the Preliminary Space Plan as submitted. Tenant shall be permitted one revision to the Preliminary Space Plan, and, if Tenant has any objections to the Preliminary Space Plan as submitted, Tenant shall notify Landlord within five (5) business days after delivery by Landlord and Landlord shall thereupon proceed to revise the Preliminary space Plan; however, any such suggested revisions by Tenant are subject to Landlord's approval. Unless Tenant objects to such Preliminary Space Plan within five (5) business days after delivery by Landlord, Tenant shall be deemed to have approved such Preliminary Space Plan as submitted.

(i) In the event that the cost estimate submitted by Landlord reflects that the costs associated with the Tenant Improvements are in excess of the Allowance, Tenant shall have a period of five (5) business days following delivery of the cost estimate within which to either

approve the cost estimate "as is", or to request such changes to the Tenant Improvements as may be necessary to cause an appropriate reduction in the cost of constructing the Tenant Improvements. During such five (5) business day period, Landlord's Representative will be prepared to discuss informally the costs associated with the Tenant Improvements and to make recommendations as to what reductions or changes to the Tenant Improvements may be necessary to reduce the total cost of constructing the Tenant Improvements to an acceptable amount. In the event Tenant requests any changes to the Tenant Improvements, subject to the Landlord's review and approval, Landlord will thereupon proceed to revise the Preliminary Space Plan and the scope of the Tenant Improvements in accordance with Tenant requested modifications and shall resubmit the Preliminary Space Plan and cost estimate as revised, to Tenant for approval. Unless Tenant objects to the cost estimate within five (5) business days after delivery by Landlord, Tenant shall be deemed to have approved such cost estimate as submitted.

(ii) The above procedure shall be repeated until Tenant approves or is deemed to have approved the Preliminary Space Plan and cost estimate; however, in the event Tenant does not finally approve the resubmitted Preliminary Space Plan and cost estimate within five (5) business days after the delivery by Landlord, Tenant agrees that any such delay shall be deemed to be a "Tenant Delay." The final space plan approved or deemed approved by Tenant is hereinafter referred to as the "Final Space Plan." The cost estimate as approved or deemed approved by Tenant is hereinafter referred to as the "Preliminary Cost Estimate."

4. **Final Plans and Specifications/Final Cost Proposal/Authorization for Expenditures:**

(a) Submittal by Landlord to Tenant: Upon approval or deemed approval of the Final Space Plan and Preliminary Cost Estimate, Landlord shall cause its architect or space planner to prepare from the Final Space Plan for Tenant's approval, all of the one-eighth inch (1/8th") architectural, mechanical and electrical working drawings, plans and specifications necessary to complete the design and construction of Tenant's contemplated leasehold improvements, including but not limited to:

(i) Complete, finished and detailed architectural drawings and specifications for Tenant's partition layout, reflected ceiling, telephone and electrical outlets, and finish schedule for the work to be done by Landlord under Paragraph 1 hereof; and

(ii) Complete Building Standard mechanical plans and specifications where necessary for installation of normal air-conditioning system and ductwork and heating and electrical facilities for the work to be done by Landlord under Paragraph 1 hereof.

Within five (5) business days following Tenant's approval or deemed approval of the Final Space Plan, or as soon thereafter as is reasonably possible, Landlord will furnish to Tenant for Tenant's approval: (i) the plans and specifications prepared in accordance with the provisions of this Paragraph; (ii) a final cost proposal for the cost of constructing the Tenant Improvements within the Premises; and (iii) an Authorization for Expenditure (herein so called) for execution by Landlord and Tenant, which shall set forth Landlord's final estimate of the cost of constructing the Tenant Improvements and the allocation of such cost between Landlord and Tenant.

(b) Approval by Tenant: Tenant agrees to promptly review the plans and specifications, the final cost proposal and the Authorization for Expenditure and, within five (5) business days following receipt, to return said items with written approval to Landlord, in which event Landlord shall be entitled to commence construction of the Tenant Improvements on the basis of the final cost estimate and Authorization for Expenditure as submitted to Tenant; provided, however, that in the event the plans and specifications vary substantially in design from the Final Space Plan, or if the final cost proposal and Authorization for Expenditure reflect that the cost of constructing the Tenant Improvements will be more than the Preliminary Cost Estimate, Tenant will be entitled to request changes in the plans and specifications, or final cost proposal and Authorization for Expenditure, as appropriate, by notice in writing to Landlord delivered within such five (5) business day period. Failure to send notice within the five (5) business day period will be deemed to be approval by Tenant of the item as to which no objection or request for modification is delivered. If the plans and specifications vary substantially from the Final Space Plan, or if the final cost proposal and Authorization for Expenditure reflect that the cost of constructing the Tenant Improvements are in excess of the Preliminary Cost Estimate, and Tenant timely objects to the plans and specifications, or to the final cost proposal and Authorization for Expenditure, as appropriate, Landlord will promptly correct any such deviation in the plans and specifications from the Final Space Plan, or will make such further modifications to the Tenant Improvements as Tenant may request to reduce the cost of constructing the Tenant Improvements, and will thereafter resubmit such items, as revised, to Tenant for review and approval. Any changes requested by Tenant are subject to Landlord's approval. The above process shall be repeated until the plans and specifications, final cost proposal and Authorization for Expenditure are approved or deemed approved by Tenant; provided, however, that in the event said plans and specifications, final cost proposal and Authorization for Expenditure are not finally approved, executed and delivered by Tenant to Landlord within five (5) business days after the date of initial submission by Landlord, Tenant agrees that any such delay shall be a "Tenant Delay. " The plans and specifications approved by Tenant and Landlord are hereinafter referred to as the "Final Plans and Specifications" (also referred to as "Working Drawings" or "Construction Documents"). The cost proposal approved or deemed approved by Tenant is hereinafter referred to as the "Final Cost Proposal."

5. Redrawing of Final Space Plans and Specifications: Any redrawings in the Final

Space Plan occasioned or requested by Tenant after Tenant's acceptance of the Final Space Plan (except revisions required to correct any mistakes or variances from the Tenant Information or to satisfy any code requirements), and the cost of any changes requested by Tenant in the Final Plans and Specifications after approval thereof by Landlord and Tenant shall be at Tenant's sole cost and expense, and shall be payable by Tenant to Landlord on demand. Furthermore, beginning on the date Tenant returns the Final Plans and Specifications with written approval to Landlord, if Tenant requests any changes in said plans and specifications and if, as a result of such change, Landlord is delayed in substantially completing construction of the Tenant Improvements, then any resulting delay shall be a "Tenant Delay."

6. **Payment of Costs of Construction in Excess of Allowance:** If the cost of constructing the Tenant Improvements is estimated to exceed the Allowance, then concurrently with Tenant's execution of the Authorization for Expenditure, but in any event, prior to commencement of construction of the Tenant Improvements, Tenant will pay to Landlord an amount equal to fifty percent (50%) of Landlord's estimate of the portion of such costs which exceeds the Allowance. The Balance of the portion of such costs which exceeds the Allowance shall be paid by Tenant to Landlord at substantial completion of the Tenant Improvements, but in any event, prior to Tenant's occupancy of the Premises. Failure to pay as indicated by Tenant shall constitute a Tenant Delay under this Allowance Work Letter Agreement and shall further constitute a default by Tenant under the Lease which will entitle Landlord to exercise all remedies for default provided in the Lease, as well as any rights or remedies provided in this Work Letter Agreement.

7. **Change Orders:** Tenant may, after approval of the Final Plans and Specifications, request changes to such plans and specifications. Any changes are subject to Landlord's approval. In the event Landlord agrees to incorporate any of Tenant's requested revisions to the Final Plans and Specifications, Tenant shall pay to Landlord within five (5) business days following delivery by Landlord to Tenant of the Change Order hereinafter described, in addition to any other amounts which are payable by Tenant to Landlord hereunder, all of Landlord's extra costs associated with such changes, including, but not limited to, contractor's overhead and profit and associated architectural and engineering fees, if any. Landlord shall not be required to make such changes if the requested changes do not conform with the plans and specifications for the Building or Landlord does not approve the changes. Prior to implementing any requested change to the Final Plans and Specifications, Landlord will prepare and deliver to Tenant, for Tenant's approval, a Change Order (herein so called) setting forth the cost of such requested changes as hereinabove described. If Tenant fails to approve, execute and deliver to Landlord such Change Order, or to pay to Landlord any amounts which are due or payable by Tenant to Landlord in connection with the Change Order, within five (5) business days following delivery of the Change Order by Landlord, Tenant will be deemed to have withdrawn the proposed change.

8. **Tenant Delay/Lease Commencement Date:** It is agreed that, notwithstanding the

date specified as the Commencement Date set forth in the Lease, Tenant's obligations for the payment of rent under the Lease shall not commence until Landlord has substantially completed construction of the Tenant Improvements; provided, however, that, if Landlord shall be delayed in substantially completing construction of the Tenant Improvements as a result of any Tenant Delays which are described in this Allowance Work Letter Agreement, or upon the occurrence of any of the following events (which events are also referred to herein as "Tenant Delays"):

(a) Tenant's failure to (i) furnish Tenant Information in accordance with Paragraph 3(a) hereof or (ii) to approve the Final Space Plan or Preliminary Cost Estimate in accordance with Paragraph 3(c) hereof; or

(b) Tenant's failure to return approval Final Plans and Specifications, Final Cost Proposal or Authorization for Expenditure in accordance with Paragraph 4 hereof; or

(c) Tenant's request for materials, finishes or installations other than Landlord's Building Standard; or

(d) Tenant's requested changes in any plans and specifications after approval of the Final Space Plan as provided under Paragraph 3 hereof; or

(e) The performance of any work described in this Exhibit by a person, firm or corporation employed by Tenant (all such persons, firms or corporations being subject to the approval Of Landlord); or

(f) Tenant's failure to pay Landlord any portion of Tenant's share of the costs of constructing the Tenant Improvements, or any other sums due hereunder, at the time and in the manner required by this Work Letter Agreement; then the term of the Lease and Tenant's obligation to pay rent shall nevertheless commence on the date specified as the Commencement Date. Each calendar day of any such delays will correspond to one day of "Tenant Delay."

9. **Occupancy of the Premises:** Tenant agrees that upon substantial completion of the Tenant Improvements to the Premises and delivery of possession of the Premises to Tenant, Tenant will accept the Premises in its existing condition, subject only to a punch list of items remaining to be corrected by Landlord which will be prepared by Landlord's Representative and Tenant's Representative. Only one punch list will be prepared prior to Tenant's occupancy of the Premises. Tenant may not enter into possession of the Premises prior to substantial completion of the Tenant Improvements without Landlord's written consent. If Landlord consents to possession of the Premises by Tenant prior to substantial completion, Tenant will hold Landlord harmless and indemnify Landlord for any loss or damage to Tenant's or Landlord's equipment, fixtures or merchandise, and for any injury to a person resulting therefrom, whether due to negligence of Landlord or Tenant or their

respective agents.

10. **Post Construction Audit:** Upon substantial completion of the Tenant Improvements and occupancy of the Premises by Tenant, Landlord shall provide to Tenant a Post Construction Audit, containing such information as is reasonably necessary to determine, and providing, the cost of constructing the Tenant Improvements. If, upon the final determination of the cost of constructing the Tenant Improvements, as provided in the Post Construction Audit, such cost exceeds the sum of \$2,500,000.00, Tenant shall within thirty (30) days of such determination pay to Landlord the amount of such excess.

11. **Exhibits:** The following Schedules is attached to and forms a part of this Allowance Work Letter Agreement:

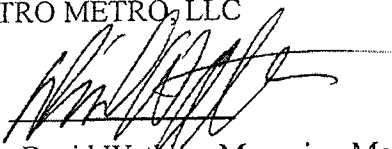
Schedule 1: Tenant Information

In the event a provision of a Schedule, if any, attached hereto is inconsistent with a provision in the body of this Agreement, the provision as set forth in the Schedule shall control.

IN TESTIMONY WHEREOF, the Parties hereto have executed this Allowance Work Letter Agreement as of the date aforesaid.

LANDLORD:

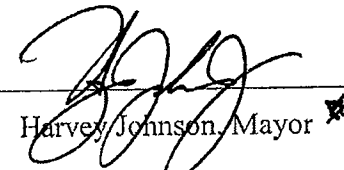
RETRO METRO, LLC

By: 

David Watkins, Managing Member

TENANT:

CITYOF JACKSON, MISSISSIPPI

By: 

Harvey Johnson, Mayor

SCHEDULE 1

MINIMUM INFORMATION REQUIRED OF TENANT FOR PREPARATION OF CONSTRUCTION ESTIMATE AND PREPARATION OF PLANS AND SPECIFICATIONS (TENANT INFORMATION)

- 1) Floor plan indicating location of partitions and doors.
- 2) Location of electrical and telephone outlets (typical units).
- 3) Type and color of floor covering.
- 4) Type and color of wall covering, paint or paneling.
- 5) Details of all millwork.
- 6) Details of corridor entrances.
- 7) Details of all items requiring water supply or drain.
- 8) Indication of partition types.
- 9) Selection of hardware sets (locks, closers, etc.).
- 10) Full details of any non-typical electrical outlet.
- 11) Information on any non-standard air conditioning or ventilation requirements.
- 12) Report from relevant telephone company indicating their approval of proposed telephone equipment room complete with location of electrical connection, grounding connection, conduit sizes and runs.
- 13) Information on any non-standard lighting or switching.
- 14) Weight and proposed location of any exceptionally heavy equipment.
- 15) Verified dimensions of all built-in equipment (file cabinets, etc.).
- 16) Keying schedule.
- 17) Type and location of all light fixtures.

EXHIBIT "F"

PARKING AGREEMENT

During the term of the Lease, Tenant shall have the non-exclusive use in common with Landlord, other tenants of the Building, their guests and invitees, of the non-reserved common automobile parking areas, driveways and footways associated with the Building, subject to the rules and regulations for the use thereof prescribed from time to time by Landlord. No specific designated spaces are to be assigned to Tenant except as otherwise provided in this Parking Agreement, the attached Site Plan and the Operating Agreement dated as of December 17, 1976, as amended, pertaining to the Metrocenter Mall.

The Landlord hereby grants to the Tenant 180 contiguous parking spaces to be used for Tenant's vehicles ("Reserved Parking"), in accordance with the attached Site Plan, which will be protected by a gate and perimeter fence, and approximately 265 parking spaces for it's employees, customers, business invitees, and the general public ("General City Parking"). Any individual Reserved Parking space may be painted or posted "reserved." Tenant shall maintain liability insurance in accordance with Section 10.2 of the Lease Agreement for the Reserved Parking and General City Parking.

IN TESTIMONY WHEREOF, the Parties hereto have executed this Allowance Work Letter Agreement as of the date aforesaid.

LANDLORD:

RETRO METRO, LLC

By: _____

David Watkins, Managing Member

TENANT:

CITY OF JACKSON, MISSISSIPPI

By: _____

Harvey Johnson, Mayor

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

_____, 2011

Mississippi Business Finance Corporation
Jackson, Mississippi

BankPlus
Ridgeland, Mississippi

RE: \$5,195,000 Mississippi Business Finance Corporation Taxable Revenue Bonds, Series 2011
(Retro Metro, LLC Project)

Gentlemen:

We have examined the record of proceedings relating to the issuance by the Mississippi Business Finance Corporation ("MBFC"), a public corporation of the State of Mississippi (the "State"), of \$5,195,000 Mississippi Business Finance Corporation Taxable Revenue Bonds, Series 2011 (Retro Metro, LLC Project) (the "Bonds").

The Bonds are issued under and pursuant to Article 7 of Title 57, Mississippi Code of 1972, as amended, (the "Act"), and under and pursuant to a Trust Indenture, dated as of April 1, 2011 (the "Trust Indenture"), by and between MBFC and BankPlus, as Trustee (the "Trustee"), and under and pursuant to a resolution adopted by the Board of Directors of MBFC on January 12, 2011 (the "Resolution").

The Bonds are dated the date of delivery thereof and mature on the dates and in the principal amounts set forth in the Bonds and the Trust Indenture. The Bonds bear interest at the rate or rates set forth in the Bonds and the Trust Indenture, and such interest is payable on the dates set forth in the Trust Indenture, but in no event shall the rate of interest exceed eleven percent (11%) per annum. The Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Trust Indenture. The Bonds are issued in the form of fully registered bonds without coupons in denominations set forth in the Trust Indenture, and are not subject to transfer or exchange except as provided in the Trust Indenture. The Bonds are numbered from one upwards, preceded by the letter R prefixed to the number.

The Bonds are being issued to loan the proceeds thereof to Retro Metro, LLC (the "Borrower") to finance the Cost of the Project (as defined in the Trust Indenture) under and pursuant to a Loan Agreement by and between MBFC and the Borrower, dated as of April 1, 2011 (the "Loan Agreement"), in order to promote, among other things, employment opportunities in the State. Pursuant to the Loan Agreement, the Borrower is obligated to make loan payments sufficient, among other things, to pay the principal of and interest on the Bonds as the same shall become due, and in connection therewith has delivered its note (the "Note"). All right, title and interest of MBFC in and to the Loan Agreement (except for certain rights reserved in the Trust Indenture) and the Note have been assigned by MBFC to the Trustee pursuant to the Trust Indenture.

We are of the opinion that:

1. MBFC is a public corporation of the State of Mississippi.
2. MBFC has the right and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by MBFC and constitutes a legal, valid and binding agreement of MBFC enforceable in accordance with its terms.
3. MBFC has the right and power to authorize, execute and deliver the Trust Indenture and the Trust Indenture has been duly authorized, executed and delivered by MBFC and constitutes a legal, valid and binding agreement of MBFC enforceable in accordance with its terms.
4. MBFC is duly authorized and entitled to issue the Bonds and the Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of Mississippi, including

the Act and the Resolution. The Bonds are legal, valid and binding limited obligations of MBFC enforceable in accordance with their terms and the terms of the Trust Indenture and are entitled to the benefits of the Trust Indenture, the Act and the Resolution. The Bonds are secured, to the extent provided in the Trust Indenture, solely by a pledge of MBFC's right, title and interest in, to and under the Loan Agreement (except for certain rights reserved in the Trust Indenture) and Note, and, until applied in accordance with the provisions of the Trust Indenture, the proceeds of the Bonds and the investment earnings thereon.

5. Interest on the Bonds is exempt from income taxes currently imposed by the State of Mississippi.

We have examined one of the executed Bonds and, in our opinion, the form of the Bonds and their execution, assuming all other Bonds are of the same form and have been similarly executed, are regular and proper.

The opinions contained in paragraphs 2, 3, and 4 above are qualified to the extent that the enforceability of the Loan Agreement, the Trust Indenture and the Bonds, respectively, may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

In connection with the delivery of this opinion letter, we have assumed and we are not passing upon the due authorization, execution and delivery of the Loan Agreement or the Note, nor the binding effect upon or enforceability against, the Borrower. We understand that various opinions with respect to such matters are being rendered this day by counsel to the Borrower and respectively.

Very truly yours,

WATKINS LUDLAM WINTER & STENNIS, P.A.